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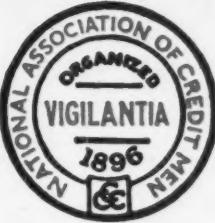
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THE

THE CREDIT MONTHLY

REG. U. S. PAT. OFF.

The National Magazine of



BUSINESS
FUNDAMENTALS



Published by the National
Association of Credit Men

25 cents - \$3 a Year

PF

December, 1923



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CREDIT AND INSURANCE

The tie-up of credit with insurance is daily becoming more evident. Industrial property-owners realize that insurance is one of the basic fundamentals of credit.

The business man using to full advantage all the insurance facilities available for him, is fortifying his position also from a credit view point.

STRENGTH SERVICE
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REPUTATION

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"U.&O. or I.O.U.?"

(A Fable for the Would-Be Prudent Business Man)

THERE once was a Business Man who reflected upon the Uncertainties of Life.

"Undoubtedly," said he, "I am Intelligent, Industrious and Thrifty—yet of what avail will be these Admirable Qualities should the Fruit of all my Labors be Destroyed by Fire? Behold, I will take out a Fire Insurance Policy. Thus I shall be able to restore my Premises in such a sad Event."

And this he did.

Presently, however, he fell to Wondering anew.

"Forsooth," he said, "My Prudent Act may leave me Still in Distress. Suppose that there shall ensue sundry Months of Delay during which my Premises are be-

ing made Fit to Serve again as at Present. Money to rebuild may I indeed receive from my Insurance Policy, but not the Means whereby to hold together my Force and to Maintain my Dividends. There is no Coverage for such as these. I shall be forced to borrow at the Bank until Profits be again restored."

"Nay, but therein you err," said a Glens Falls Agent, who chanced to overhear this sad soliloquy. "My Company already has prepared to meet your need. By means of its Use and Occupancy Policy it will Protect your Expenses and Profits as well as your Building and its Contents."

Moral: A "U. & O." today is better than the "I. O. U." that you may have to give tomorrow.

Glens Falls
INSURANCE COMPANY
GLENS FALLS, N. Y.

FIRE

AUTOMOBILE

MARINE

Contents of December, 1923, Issue of

THE CREDIT MONTHLY

A NATIONAL MAGAZINE OF BUSINESS FUNDAMENTALS

Published by the National Association of Credit Men

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Can You Measure up to the Credit Man of Today?

TIME was when a credit man's chief duty was to try to collect overdue bills.

Today, in addition to preventing the occurrence of overdue bills, he figures in the entire plans of business from sales expansion down. He is expected to know *when* to sell, *where* it is safe to sell, *what* the present conditions are in the business world, *how* future conditions are shaping themselves—all these and a score of other things formerly thought outside his field.

How can you measure up to these ever increasing demands on the credit man? By arming yourself with knowledge! Prepare yourself, in your spare time, for these bigger responsibilities—the business world is willing and anxious to pay the man who can bear them.

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New York City

The Price of Tranquillity

"WHO is there that forms this goodly party?" asked Cicero of his friend Atticus. "Are they the men of commerce and husbandry? Let us not imagine that these are averse to monarchy—these to whom all governments are equal as soon as they bestow tranquillity."

It was of his own time, which Cicero lived with great intensity, that he was thinking. But for us, the men of industry and husbandry nearly two thousand years later, Cicero's words are significant. It is today too true that all business asks is that it be let alone, that it be guaranteed tranquillity. If we can but get that, we care but little who are our governors, or how they attained or hold their positions.

Tranquillity can be bought at too high a price, a price that perhaps will mean that our children will be without the inheritance we have been enabled to enjoy because our fathers did not put tranquillity first.

Is it not our reluctance to give up our tranquillity that leads us to refrain from taking part in the councils of stricken Europe? As our failure to do so would have been disastrous in 1916, is it not likely that our failure now will result in losing the tranquillity we think we are preserving by standing aside?



Editor.



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One sure way to find out what an Autocar truck will do for you is to get first hand the experience of Autocar owners.

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THE CREDIT MONTHLY

VOL. XXV

DECEMBER, 1923

No. 12

The Moral Risk in Business

An Address to the New York State Credit Men

By Ira D. Kingsbury

J. W. Gillis Co., Rochester

JUST what do we mean by the Moral Risk in business?

Is it something tangible, something we can point to with certainty, as we can to a stock of merchandise, money in the bank or other items found in a financial statement? Or is the Moral Risk something intangible, something that proves itself an elusive quality difficult to locate and often deceptive and misleading?

We hear a great deal about the Moral Risk. How often do we hear the phrase, "The financial responsibility is weak but the Moral Risk is high." In this phrase what do we refer to? Is it to a man's morals—his habits—good or bad—his mode of life—his religious affiliations—his ideas of right or wrong—his dealings with his fellow man?

All of these surely fall within the meaning of Moral Risk. All of them as certainly enter into the consideration of the subject.

At times it has seemed to me that the Moral Risk was almost an academic matter; but then I have reflected that so important a factor in the credit risk is more than that—that it is something almost tangible, just as easy to locate as the stock of merchandise. Although it does not show in black on white in the statement or agency report, it certainly exists. No credit risk is properly analyzed unless we seek out and determine this extremely important auxiliary asset.

DEBTOR HAD A GOOD HELPMATE

A friend of mine sold some machinery to a young farmer. The amount of the bill was \$400 to be paid for on delivery. When the delivery date drew near the young man wrote that he had failed in his plans, could raise only \$100 and offered to pay that and give his note for the balance. The risk was investigated and the financial risk found wanting. But the Moral Risk was there, not in any report, not in the statement, but in the closing paragraph of the country banker's letter where he said: "The young man married one of the finest girls I know. She is from a

good family and is a good helpmate. I should say the note would be good and paid when due." And it was so paid.

Here we have another phase of the Moral Risk. Is the applicant married; what of his home life; whom did he marry? Is his family large or small, economical or extravagant? Intimate questions, yet not so intimate, but that their answers should be known. We have all seen instances of the extravagant wife or husband bringing disaster to a business that was profitable until personal withdrawals ate into the capital and failure followed.

FLAPPER-WIFE CAUSED FAILURE

I once refused further credit to a young man in a southern city who married a girl of the familiar flapper type who spent much time in visiting New York, Atlantic City and other resorts, keeping the man away from business. The financial troubles came in less than a year and I think the recovery was about ten per cent. Domestic troubles are probably the most difficult to foresee—but when they come the warning surely must be heeded.

In no case where divorce or separation is hinted at should the credit man fail to hold the order and "investigate before investing." The publicity may adversely affect the business, as the public especially in the smaller communities, is prone to side with one or the other. Commercial agencies recognize this and often give warning or mention it. When they do mention it, the credit man has his warning that the danger signal is set and caution should be used.

Agencies have recognized the moral risk for many years. They try to give an insight into a man's antecedents. But I have felt they do not go far enough, possibly for fear of trespassing on the law of libel. If, however, they are guarded in their report, we as credit men should take our cue and investigate for ourselves.

SUNDAY MORALITY: WEEK-DAY DEPRAVITY

Often we find the merchant with the Sunday morality and the week-day

business depravity. I have no thought of being sacrilegious in making that statement for I yield to none in my admiration of the man or woman who loves and worships in his or her church. I once had an account which did not look good; the financial statement was sound; the antecedents rather difficult to trace; the personal record reported high. It was the case of a prominent citizen, a liberal supporter of church and civic activities. But the account became slow. A personal investigation was determined on and a counter suggestion made that he would come to Rochester. I felt that for some reason he did not want me to come to his town. I saw him in his home town first however. He gave me every thing I asked for except money, which he promised the next day. That night an overdose of chloral closed the chapter. Investigation revealed that false statements had been made—money had been borrowed under false pretenses. Although his business was good, it had suffered from withdrawals to a point that he was heavily involved. He could not meet his obligations and his moral fibre failed at the first test. A full and frank show-down to his creditors would no doubt have brought about an adjustment of his affairs and the saving of his business and his life.

We investigate a man's tangible assets but we do not use sufficient care in investigating the Moral Risk.

IS HE A GOOD, POPULAR GOLFER?

Personal habits I do not feel are quite within the Moral Risk. They are too difficult to be rated at their true worth. But the personal life. (I like to make that distinction) does come within our subject. A man's dealings with his fellow man, his everyday upstanding traits, are too obvious to be enumerated but too important to be overlooked. His community spirit, his popularity, his sports, all count for or against him. Golf is said to be a man's game. The sneak, the cheat is not long a golfer, he is soon ostracised. So if a

(Continued on page 28)

Christmas Credit---A Story

A Wholesaler Takes a Flyer in Retailing

By Frank R. Otte

McLaughlin Company, Inc., Brockport, N. Y.

"I WOULDN'T do it," said Jim MacMahon. "I've spent a number of years in this business, more years by far than you will ever spend with me on earth." "You're right, Jim. But when you took me in here a few years ago as your partner I realized even then the gray hairs in that good old head of yours came there too early, because of your big hearted generosity."

"Well maybe they did come too early. I've had my losses. And I know as the credit man of this establishment you ought to have full power to cancel that order if you want to. But Dick I hate to see you do it. Call it sentiment if you will. But—honest—I hate to see you do it."

"Jim facts are facts, and when they're as blunt as those in front of us—you've got to kick sentiment out of the door. Look here! John Montgomery paid his bills pretty well until about a year ago. Now listen, don't get impatient! I've gone over these facts with you before. But let's review them in a perfectly cold-blooded, logical manner. A year and a half ago John Montgomery began to slip. He no longer discounted. Then worse and worse he fell behind. And now, by thunder, he hasn't paid a red nickel on that eight hundred and sixty odd dollars for some six months. Do you mean to say that in the face of such evidence you're going to recommend a further shipment of fifteen hundred dollars? I tell you its fool-hardy! It is like throwing good money out of the window."

"Dick, you may be right. But have you gone over John Montgomery's complete record—from its very beginning?"

"Why no—not entirely. In a general way, yes. But there's too confounded much for me to read all of it."

"That's exactly it. While you have been with me only ten years, John Montgomery has been with me for thirty. Look back here—at the first sheet on this credit report—thirty years ago."

Jim MacMahon, the senior partner quickly sorted the cards until he reached the last one in the little pile, and pointing with his long, lean finger, he turned to Dick.

"Look, Dick," he said, "this report shows that order number one was purchased from our house by John Montgomery just thirty years ago. Dick, that was the first order I ever sold in my own business. John Montgomery started the career of MacMahon & Houghton thirty years ago with that little three hundred dollar order. Can you blame me for being sentimental about it? And more than that, through all the stress and storm of depressions and panics John has come across. He has never failed me yet. Now, think it over." And with that Jim MacMahon left the younger partner to himself.

Since Dick Houghton, some ten years before had entered the firm established by James MacMahon, later to become

his partner, there had been a constant improvement in the business. MacMahon had reached the sixty mark when Dick joined him; eager, young, aggressive. Business with Dick was not so much a factor of salesmanship as it was a matter of checking credits, close accounting, systematic effort, and careful buying. He had once remarked that no jobber could succeed unless he had purchasing ability and credit abilities as great if not greater than selling ability.

MacMahon on the other hand was a man of the old school; one who sold largely through personality. He was gracious in manner, affable and quick to make friends, and the friends he made always stuck. When the business grew to such proportions that MacMahon could not handle the selling alone, he rapidly and successfully trained a sales force; encouraging each young man who joined him to adopt those selling methods so agreeable and so successful in the years of his long experience.

Dick was more abrupt, and yet his very diversities made of him a splendid team mate.

When the senior partner left his office, Dick picked up the letter from John Montgomery and read it again:

I appreciate I am behind in paying my account. This is due really to the fact that an attack of influenza slowed me up considerably, and for several months my wife had to take care of the store.

I am enclosing an order for Christmas merchandise. If you will help me to tide over the holidays by shipping the order, I feel sure that my usual Christmas trade will put me on my feet to such an extent that I will be able to pay not only the old account but also the one I am asking you to ship.

Very sincerely yours,
John Montgomery

Laying the letter back on his desk, he again turned to the latest mercantile report and read as follows:

He is 78 years of age, married and an old resident of this place. Has been identified with the mercantile business for the past 35 or 40 years; at one time enjoying a large business with practically no competition. For a number of years, however, his business has been declining and in the last two years due to his own ill health, and expenditures made in behalf of a tubercular son who subsequently died, he has met with reverses.

The figures in the statement are subject to some allowance, especially on the outstanding accounts and bills receivable which would shrink in the course of collection. He shows a rather heavy indebtedness both in the way of accounts payable and bank obligations. And for the present time no estimate of his net worth is offered.

Well mentioned personally as a man of high integrity, considered of fair ability, but due to old age slowing up considerably, and apparently not making more than a moderate living.

In the past he has been found discounting most of his bills but at the present time the majority of houses have reported him as slow pay with past due indebtedness.

When he finished, Dick cocked his feet on the desk, lit a fresh cigar, threw back his head, puffed a while, and, with his eyes following the cracks in the ceiling, analyzed the situation carefully and thoughtfully. To him it was a clean case of a man who had run a small village store for forty years making a comfortable living without any great pro-

gress; satisfied to sell his friends on long terms, paid his bills as promptly as possible and die a natural death when old age decided it was time to call a halt and close up shop. John Montgomery had very evidently reached that period in his life. When a man gets to be nearly eighty years old, after operating a store for forty years, it is about time to consider him a "has-been." At least, that was the way Dick figured it.

The cold, crisp air of early December showed no signs of snow. There were indications that the kids would not be bob sledding for some little time. Dick was tired. The season had been a hard one, too full of details to warrant a vacation. Suddenly it occurred to him that an eighty-mile trip in his coupe would clear the cobwebs and give him punch for the holiday rush. He would run up to Wheaton, talk things over with John Montgomery, and possibly come back with a check. His partner Jim's sentiment was convincing, but not convincing enough to spell for him the letters "O. K."

Several days slipped by almost unnoticed. But at last the opportunity came. Gruffly dismissing several salesmen, who were on the point of breaking up his afternoon, he jumped into the car and started for Wheaton.

The clear sun of the early morning, and the bright blue sky had shifted to a dusky gray at high noon. There was a damp smell in the air. Ominous clouds hung low in the west, mounting higher and higher as the light breeze turned into a gentle gale. When about thirty miles from his destination, Dick realized he was in for a storm. At the north cross-road he turned into the teeth of the wind and suddenly struck the full force of a snow flurry which burst on him with its white sheet engulfing the landscape and covering his car. The great flakes stuck to the windshield until it was almost impossible to keep it clear. Slowly darkness settled upon him. Five miles from Wheaton, Dick skidded, headed straight for the ditch and stopped in front of a stone wall. He was badly shaken and the car damaged. But otherwise there was nothing to worry about, except the necessity of abandoning the car and the problem of how he was to get to Wheaton. Picking up his suit case, he started down the road—tired, wet and exceedingly irritated. Plunging and plowing his way through the storm for about a mile, he was infinitely relieved to hear the clatter of a wagon behind him. He jumped to the middle of the road, stopped his fellow traveller, and thus got a ride into the village.

The little hotel at Wheaton was not at all encouraging. Other men caught by the storm had reached the town ahead of him, and he found it impossible to obtain so much as a cot set up in the hall way.

"Well, I've got to sleep somewhere," he said to the clerk.

"I suppose so," the clerk answered laconically. "Perhaps I can help you. There is an old fellow down street who occasionally takes our overflow. If you will wait a minute, I'll get Bert and he'll take you over. Guess you'll find a bed there all right."

Dick thanked him, and a few minutes later, he and the lad called Bert, plowed through the storm to stop at a door that gave entrance to a dark passage leading to a still darker stairway.

Apparently the old fellow referred to by the hotel clerk was living above the store. Dick did not relish the darkness of the passage and stairs, nor the idea of spending the night in such a place. But the wet sloshing of his coat against his cold and clammy knees reminded him only to poignantly of his weariness.

In response to Bert's loud knocking the door opened and they saw a well lighted and attractive interior cosily warmed by an old fashioned coal stove.

An old man, of medium height and lusty gray hair, smiled benignantly as he welcomed them in.

"Well, Bert," he said to Dick's guide, "this is a gin-cracker all right. By golly, ain't seen nothing like it for twelve years. Come in stranger—come in! I reckon you don't like plowing around in the snow. But tell you the truth, I'm glad to see it come.

Goin' to mean a mighty brisk Christmas trade. Some how or other people always seem more like buying Christmas stuff when there is a right good pile of snow on the ground. Mother!" he called; and from the next room there appeared a comely woman with pure white hair. There was a grandmotherly air about her that reminded Dick of his younger days. He almost expected a good-natured scolding for his wet and disheveled condition.

He was in no mood to talk to anyone. The little he had eaten at the hotel would satisfy him until breakfast. All

he wanted now was to thaw himself out under dry, clean sheets and warm comforters. And he readily assented to her suggestion when she led him down the narrow hall to his bedroom.

When the door closed softly behind him, he looked around. The room, full of antiques he loved so well recalled a picture he had once seen in an old fashioned magazine. The long, narrow casement windows with their white curtains smiled back at the large mirror over a bureau with the deep brilliant

a register or the further wall down close to the floor. It was the old fashioned way of bringing heat from behind the stove in the sitting room. The light bothered him and he got up to close the register. As he did so, he heard the words; "MacMahon & Houghton."

The old man was talking to his wife, and Dick, all curiosity, at hearing the name of his own company, listened for a moment.

"Mary," the old man was saying, "if MacMahon & Houghton don't ship that order, I reckon we are done for."

"O John!" came the reply, "don't say that. We have seen lots of care and sorrow in these forty years but somehow we always pull through. Don't we?"

"Yes, Mary," he answered. "When a man has youth he can do almost anything, but when old age steals upon us things are different. Now I know that Harvey Clay is just crazy to buy the store, but that young scamp is smart enough to think that I'm sledding it pretty hard. That rascal's laying low waiting for me to be forced out, and then he will get the store for a song. If I can only buy enough stuff to take care of the Christmas trade, we can pull it through Mary, and sell out to Harvey at a fair price. Then, Mother, you and I can take it easy. I don't begrudge the forty years of hard work."

You have been a good, courageous, partner, and I tell you, Mother, they have been mighty happy years. But now it kind of breaks me up to think of it ending this way.

"Don't say that John, don't say that! You will feel better in the morning. Perhaps even now there is a letter in the mail telling us the shipment is coming. Now, come on, forget it, and go to bed."

Dick laid awake. The drowsiness of the moment before had disappeared. By the strange force of circumstances

(Continued on page 26)

"THEN CAME ALICE.
AND SAM LOST PERSPECTIVE,
LOST EVERYTHING
EXCEPT THE POWER TO
SIT AND GAZE AT HER
WITH A LOOK OF RAPT
ADORATION UNTIL THE
CUSTOMERS GREW FRET-
FUL."



polish that only solid mahogany takes. The old-fashioned bed to match was radiant with its clean white cover and pillow slips. Underneath, when he threw back the spread, were, as he expected, the patch work quilts and comforters.

Fifteen minutes later he was between the crisp sheets rubbing his toes against his shins and feeling the soft warmth radiating, percolating through his chilled and tired muscles. For awhile he kept his head under the comforters. As he came up for air, he saw a stream of light that came into the room from

The Rubber Industry Since 1916

Barometric Study Made By a Credit Man

THIS article is a review of the expansion, productivity and financial condition of the rubber industry during the past seven years. A great deal has been written concerning this industry. It is our endeavor, however, to present its operations and their effect on the financial condition from a viewpoint a little different from that from which they have heretofore been considered. It is based upon the statements from 1916 to 1922, inclusive, of a sufficient number of the large rubber companies to make it indicative of the trends in the industry.

It is generally understood that the degree of concentration in this industry is very marked. We may say, as an indication of this concentration that the ten companies whose figures we have used produce more than 60 per cent. of the estimated production of the United States. This is based upon a report submitted by more than four hundred companies. The United States produces more than two-thirds of the world's output; it follows that the concerns whose operations are the basis of this study produce 40 per cent. of the world's rubber goods.

This study covers a period of time

A Contribution to the Science of Credits

THIS study on the Rubber Industry has been accepted by the National Institute of Credit as satisfying the "research requirement" for the Fellowship in Credit. Its author now holds the Junior Certificate and is a candidate for the Senior Certificate. The writer has made use of the method of financial statement analysis employed in their studies by the Robert Morris Associates, the research organization of bank credit men belonging to the National Association of Credit Men, and has made what seems to the Director of the National Institute of Credit a very interesting contribution to the science of credits.

JOHN WHYTE

This is a period during which the worth of the companies whose statements we have used increase from \$293,415,000 in 1916 to \$535,054,000 in 1920, with a drop after that time, and in which the sales went from \$343,047,000 in 1916 to a maximum of \$758,206,000 in 1920, after which there was a very material recession. We may say this period is one in which the industry practically doubled in size, after which there was a severe slump followed by a partial recovery in 1922. As an indication of the economic importance of this industry, in 1919 the number of persons employed in it in the United States was 158,549 and the total value of the output was \$1,100,000,000. Part of the large increase in the number of workers employed during 1918 and 1919 was due, however, to their comparative inefficiency. From this inefficiency the leaders in the industry made a rapid recovery. Naturally, today's output in units is much greater per employee than during 1919.

While the rubber industry is closely allied with the automobile industry and its development is virtually parallel, a large part of its capacity, as is well recognized, is employed in the manufac-

ture during which the United States enjoyed an unprecedented industrial growth. In few industries was this growth more evident than in the rubber industry.

TABLE I
COMBINED STATEMENT OF THE RUBBER COMPANIES

End of years 1916 to 1922—In thousands of Dollars.

	1916	1917	1918	1919	1920	1921	1922
Cash	\$ 16,795	\$ 14,130	\$ 35,151	\$ 45,272	\$31,335	\$ 42,308	\$ 40,130
Receivables	69,605	97,738	83,798	127,111	120,542	109,882	113,039
Merchandise	119,149	209,781	192,677	244,825	328,424	180,013	160,707
Government Bonds	0	418	11,981	11,669	52	9,018	11,212
(a) Miscellaneous	422	2,390	2,124	3,649	0	0	0
Current Assets	\$205,971	\$324,457	\$325,731	\$432,526	\$480,353	\$341,221	\$325,096
Other Assets	198,808	218,131	240,525	279,595	399,761	413,202	426,405
Total	\$404,779	\$542,588	\$566,256	\$712,121	\$880,114	\$754,423	\$751,501
(b) Current Liabilities	\$ 74,557	\$116,622	\$ 84,086	\$119,592	\$227,334	\$104,040	\$100,503
Funded Debt	36,807	86,600	83,600	70,456	117,726	189,296	182,195
Total Debt	\$111,364	\$203,222	\$187,686	\$190,048	\$345,060	\$293,336	\$282,698
Net Worth	293,415	339,366	398,570	522,073	535,054	461,087	468,803
Total	\$404,779	\$542,588	\$566,256	\$712,121	\$880,114	\$754,423	\$751,501

(a) Good Will and other tangibles have been deducted from all statements used in the compilation of this table.
 (b) Many of the reporting companies did not set up as a current liability provision for Income Tax payments particularly in the years 1918 and 1919. Naturally, the profit for these years, as given below, is also subject to some adjustment on account of this liability.

	1916	1917	1918	1919	1920	1921	1922	
Net Sales	\$343,047	\$513,869	\$645,371	\$650,031	\$758,206	\$309,042	\$553,802	
Net Profit to Surplus								
Account	31,978	53,006	61,060	76,143	19,749	L 44,867	28,634	
Per Cent. of Sales	9.3%	10.3%	9.5%	11.7%	2.6%	L 8.8%	5.17%	
Per Cent. to Average								
Net Worth	?	16.5%	16.5%	16.5%	3.7%	9.0%	6.1%	
Dividends Paid	\$ 13,493	\$ 17,618	\$ 19,555	\$ 23,327	\$ 35,342	\$ 14,475	\$ 11,612	
Per Cent. to Profit	42%	33%	32%	31%	180%	—	41%	
Summary of Capital Changes								TOTAL
Worth at January 1st	\$293,415	\$339,366	\$398,570	\$522,073	\$535,054	\$461,087		
Profit from Operation	53,006	61,060	76,143	19,749	44,867	28,634	\$193,725	
Capital Contrib'tns....	17,495	17,263	71,588	37,245	3,815	2,750	150,156	
TOTAL	\$363,916	\$417,689	\$566,301	\$579,067	\$494,002	\$492,471		
Cash Dividends	17,618	19,555	23,327	35,342	14,475	11,612	\$121,929	
Surplus Adjustments	-6,932	+ 436	-901	-8,671	-18,440	-12,056	-46,564	
Worth at Dec 31st...	\$293,415	\$339,366	\$398,570	\$522,073	\$535,054	\$461,087	\$468,803	

ture of miscellaneous and hard rubber goods. The total number of articles now manufactured is estimated to be 30,000. Although 80 per cent. of the world's supply of crude rubber is used in the tire industry, the value of the other rubber goods is 33 per cent. of the total value. Several of the larger manufacturers are also largely engaged in the manufacture of rubber footwear and other products. In attempting to draw any conclusions from this study this fact should be kept in mind.

Although some of the companies whose statements are used had made provision in their balance sheets for income tax liabilities, not all had done so. When considering the combined statements for the close of the years 1918

to Non-Current Assets were rather low, which when considered with the handsome profit earned during this year must indicate that competition was not particularly keen and there was a demand for the product in excess of the amount produced. The profit for this year was better than 10 per cent. of the average investment and it was 9.3 per cent. of the sales.

Receivables seem somewhat heavy, but later statements show that they are ordinarily rather high in the rubber industry. Certain representatives of the industry showed a uniformly stronger position in this regard than the combined statement.

1917

The year 1917 brought a substantial

TABLE 2
Statement showing percentages of various items to totals at the end of each year.

1916	1917	1918	1919	1920	1921	1922
Cash 4.1%	2.6%	6.2%	6.3%	3.6%	5.6%	5.3%
Receivables 17.2	18.0	14.8	17.7	13.7	14.6	15.1
Merchandise 29.6	38.1	34.0	34.4	37.3	23.9	21.2
Govt. Bonds 0	.1	2.1	1.6	.0	1.2	1.5
Miscellaneous .7	.1	.4	.5	.0	.0	.0
Cur. Assets 51.0	59.9	57.5	60.5	54.6	45.3	43.1
Other Assets 49.0	40.1	42.5	39.5	45.4	54.7	56.9
Tot. Assets 100.0	100.0	100.0	100.0	100.0	100.0	100.0
Cur. Debt 17.4	21.4	14.8	16.7	25.7	13.8	13.4
Funded Debt 9.1	16.0	14.8	9.9	13.3	25.2	24.2
Total Debt 26.5	37.4	29.6	26.6	39.0	39.0	37.6
Net Worth 73.5	62.6	70.4	73.4	61.0	61.0	62.4
Tot. Assets 100.0	100.0	100.0	100.0	100.0	100.0	100.0

and 1919 particularly, and the net result of the operations of these years as well, mental note of this fact should be made. The combined statement at the close of each of these years shows a somewhat more favorable condition than actually existed and the figures for net operating profit were subject to some adjustment.

From the figures of the selected representatives of the industry for the past seven years, the following tables have been compiled:

Table 1—Combined statement of the rubber companies, years 1916 to 1922, inclusive, supported with details.

Table 2—Statement showing percentage of various balance sheet items to totals.

Table 3—Statement of ratios of the combined statement.

Table 1 is interesting, because from it one can get an idea of the very great growth in this industry. Table 2, if studied carefully will show weakness in the statements of certain years, as when merchandise and current payables become too high. It is, however, from consideration of Table 3, The Ratios, that we can best approach this study.

We will discuss the financial condition and progress of the industry as indicated by the representatives which we have selected, with reference not only to the table of ratios but also to the details of operations and the situation evidenced by the combined balance sheet.

1916

The statements at the close of 1916 showed a good position and profitable operations.

The ratios Sales to Worth and Sales

increase in sales, business having been \$513,869,000 as against \$343,047,000 for 1916. Profit was \$53,006,000, which was 10.3 per cent. on sales and 16.5 per cent. on worth.

The Current Ratio changed but little but the debt was very much heavier. In this year Inventory and Receivables together were increased about \$120,000,000. Although the larger part of the profit remained in the business and there were new capital contributions of approximately \$17,500,000, it was necessary for the companies we have studied to put into the working capital \$30,000,000 of the \$50,000,000 received from bonds sold.

So far as capital activity was concerned, this year showed a decided improvement over 1916. Conditions at the close of the year were not quite so healthy, however, from the standpoint of Worth to Debt; Ratio of Merchandise to Sales was a little high. This was probably accounted for by the necessity of stocking rubber in advance on account of the shipping conditions existing at this time and a shortage in

shipping which was anticipated for the first part of 1918.

1918

In every respect 1918 was an excellent year for the industry and the situation of the rubber companies at the end of the year was much stronger than at the beginning.

The Current Ratio was substantially improved and there was a reasonable liquidation of Inventory. Receivables were in better proportion.

Both the ratios of Sales to Worth and Sales to Non-Current Assets were higher than at the close of any other year covered by this study.

Sales for 1918 were \$645,371,000, which produced a profit of \$61,060,000. The larger part of this profit was left in the business and \$17,250,000 of new capital was contributed.

Mortgage Debt at the end of this year was a little less than at the beginning.

1919

The year 1919 showed a comparatively small increase in Sales over 1918, sales having been \$650,031,000. Profit for this year was the largest of any year within the history of the industry, being \$76,143,000, which was 11.7 per cent. on Sales or 16.5 per cent. on Average Invested Capital. The very excellent profit of this year was probably responsible for the great building program of 1920, which in part brought on the disaster of 1921. During 1919, \$71,600,000 of new capital was contributed.

While the Current Ratio at the end of 1919 was very good, and the ratio of Worth to Debt was a little better than the year before, there were some warning signs which should have given

TABLE 3
Statement of Ratios

	1916	1917	1918	1919	1920	1921	1922
Current	2.80	2.70	3.88	3.61	2.11	3.26	3.22
Mchandise. to Receivables..	1.72	2.14	2.34	1.93	2.74	1.64	1.42
Worth to Non-Current ..	1.47	1.54	1.66	1.84	1.34	1.10	1.10
Worth to Net Non-Current 1.81		2.54	2.52	2.46	1.90	2.06	1.92
Worth to Debt.....	2.64	1.63	2.24	2.74	1.55	1.57	1.66
Receivables to Sales.....	0.20	0.19	0.13	0.20	0.16	0.22	0.20
Merchandise to Sales.....	0.35	0.41	0.30	0.38	0.43	0.35	0.29
Sales to Worth	1.17	1.52	1.65	1.26	1.41	1.10	1.18
Sales to Non-Current	1.73	2.36	2.68	2.33	1.90	1.23	1.30

cause for thought. It is, naturally, impossible to say what weight should have been given to these without an accurate knowledge of the conditions in the Rubber Industry at that time. These points were:

Higher Merchandise to Sales
Lower Sales to Worth
Lower Sales to Non-Current Assets

1920

Sales for 1920 reached the enormous total of \$758,206,000. As an indication of the expansion over the several preceding years, we may say that this was more than twice the sales for the year 1916. Competition and inventory shrinkage were important elements this year; Profit, therefore, was moderately small, being \$19,700,000 or 2.6 per cent. on Sales and 3.7 per cent on Worth.

While this year produced a wonderful volume of business, it was not so good compared with the worth at the beginning of the year as were the sales for

(Continued on page 34)

The Par Payment of Checks

Credit Men Appreciate Checks Worth 100 Cents on the Dollar

By W. Thomas L. Gregg

In the November Credit Monthly explanations were presented of the meaning of Par Payment of Checks, and how the attempt to evade the exchange charge brought an enormous float of unliquidated checks. The expense, delay and risk incident to check clearance under the old method was described and the discussion of the subject of check clearance by Congress before the passage of the Federal Reserve Act outlined.

In this issue is presented what the business man is now called upon to do to preserve the Par Payment Plan and establish the check more firmly as an acceptable instrument for the settlement of obligations.—The Editor

PAR IDEA NOT NEW

THE par idea was not new, but in accord with our traditional policy. In 1792 Congress made provision whereby our coinage would circulate at par. In 1863-65 Congress brought about the par circulation of bank notes. The 1913 legislation to facilitate the par circulation of checks was a logical development of our traditional policy with respect to our various forms of circulation.

The discussions in Congress and the public statements of the framers of the Federal Reserve Act made it clear that Congress was aware of the evils resulting from the exchange charge and intended in so far as possible to abate them. At hearings preliminary to the passage of the Act and its amendments, the National Association of Credit Men repeatedly urged the establishment of a country-wide system of check collection, which would do away with the exchange charge.

In the Federal Reserve Act and its amendments Congress provided that each Reserve Bank must receive on deposit at par checks drawn on any of its member banks and might receive on deposit any other checks payable on presentation.

RAPID DIRECT CHECK COLLECTION

The Reserve Banks established their check collection system in 1916. Its object was to provide a rapid, direct, country-wide system which should relieve the banks from those costs which they maintained had justified the exchange charge. Its basic principles were (1) the payment of checks at par, (2) the sending of checks to the place upon which they are drawn, by the most direct route practicable. It handles checks on all member banks, and on all non-member banks whose checks can be collected at par.

The new system works in this way: The member bank sends to the Reserve Bank checks on out-of-town banks, which it has received from its depositors. The Reserve Bank sends the checks direct to the banks on which they are drawn, or to other banks in the same places.

FORMER AND PRESENT ROUTING CONTRASTED

Formerly, when the St. Louis merchant received a \$1,000 check drawn on Hickory, Alabama, and deposited it, his bank in St. Louis probably sent it to Philadelphia, and the Philadelphia bank sent it to a bank in Birmingham, which in turn sent it to Hickory. Payment returned by the same steps.

Then the route was:

St. Louis—Philadelphia—Birmingham—Hickory.

5 days going, 5 days returning; total 10 days

Now, if the St. Louis Bank is a member of the Reserve system and the Hickory bank pays its checks at par, the St. Louis bank deposits the check in the St. Louis Reserve bank, the latter sends it to the Birmingham branch of the Atlanta Reserve bank, and the Birmingham branch sends it to Hickory. Hickory pays Birmingham, and on the same day the payment reaches Birmingham. The St. Louis bank receives credit at the St. Louis bank for \$1000.

Now the route is:

St. Louis—Birmingham—Hickory.

3 days going, 1 day returning; total 4 days.

HOW PAYMENT IS NOW RECEIVED

The Reserve Bank receives these checks on deposit without any charge or deduction whatever and gives the depositing member bank credit at face value as soon as payment has been received from the banks on which they are drawn. Direct routing enables checks to be collected in the minimum two-way mail time between the reserve bank and the place of payment; but in the case of checks payable in another Federal Reserve city or district, the return mail time between Federal Reserve Banks is eliminated. The time varies from one day in the case of nearby cities where there are Reserve banks or branches, to eight days in the case of the most distant transcontinental points. It is believed that, on the average, the time of collection of out-of-town checks has been cut in half. This has been made possible largely through the daily telegraphic settlements made between all Federal reserve banks.*

Thus, checks are now collected in half the time, or less, as compared with the old method; and the element of risk is much reduced. It is only through a country-wide organization

like the Reserve system, with its facilities for immediate payment, that such savings can be effected. The number of checks collected through the Reserve Banks now average about two million checks a day, amounting to about half a billion dollars.

ELIMINATION OF COSTS

At the outset in 1916, it was realized that the country banks, which for generations had charged exchange, would be disinclined to give it up, not only because it was profitable to them but because they held that it cost them something to pay their own checks when sent to them by banks in distant cities. This cost, they said, was mainly of two sorts; (1) the cost of maintaining balances with city banks to enable them to pay checks presented from the cities; and (2) when those balances were insufficient the cost of shipping currency to the cities in payment of such checks.

The Reserve Banks proceeded to eliminate such costs for those banks which would pay their checks at par.

In the first place, the Federal Reserve collection system does away with the presentation of checks from distant cities; instead they are presented from the nearest city in which there is a Federal reserve bank or branch. In most cases these are the cities where country banks in the adjacent territory are likely to accumulate funds in the ordinary course of business.[†]

In districts where the situation justifies it, the Reserve banks accept drafts on other neighboring cities.

In the second place, whenever the country banks desire to pay their checks by shipping currency the Reserve banks pay the cost of shipping.

Thus whatever costs there may have been are eliminated. In addition, the country banks are offered facilities whereby, without cost, they can pay their checks at par. Besides the elimination of cost in paying their checks, country member banks get the largely compensating advantage of collecting out-of-town checks deposited with them not only more quickly but free of cost through the new system. Non member banks, even those who do not co-operate by paying at par, enjoy this advantage through their city correspondents, which are usually members of the System.

* The twelve reserve banks maintain a fund of gold on deposit with the treasurer of the United States at Washington. Through this fund each reserve bank settles each day with every other reserve bank the balances arising between the districts they serve. St. Louis, for example, does not receive payment for the Hickory check by a shipment of currency from the Birmingham branch to St. Louis. It receives payment by a telegraphic transfer of credit on the books of the gold settlement fund, from the Birmingham branch to the St. Louis reserve bank.

[†] On the average, the daily volume of checks drawn on a bank and sent to other places about equals the daily volume of checks drawn on other places deposited in it. The bank sends the checks deposited in it to city banks to collect. With the funds thus accumulated it pays the checks which have been drawn on it and sent to other places. The cheapest way for a bank to pay its own checks which have been sent to other places is by draft on the bank through which it collects its out-of-town checks. Ability to make payment in this way to the Reserve banks has made it unnecessary to continue the former expense of keeping accounts in other cities for the purpose.

MOST BANKS CO-OPERATE BY PAYING AT PAR

When the new check collection system was established in 1916, all member banks and about a third of the non member banks co-operated by agreeing to pay their checks at par. Today over 27,000 banks out of a total of 30,000 are paying their checks at par. Thus 90 per cent of the banks, representing about 98 per cent of total banking resources, make no exchange charge, and pay their checks at full face value. About two-thirds of these banks are not members of a Federal Reserve Bank; they merely co-operate with its collection system.

The accompanying map shows the percentage of the banks in each state

banks have presented organized opposition to the par payment system. Having failed in 1916 to obtain authority from Congress to charge exchange against the Reserve Banks, they later secured the passage of laws in North Carolina, Georgia, Alabama, Mississippi, Louisiana and South Dakota, designed in various ways to restrict or prevent action by the Reserve Banks in extending or even maintaining par payments. Court injunctions against the Reserve Banks were obtained in several states.

Recently two cases arising under these injunctions were decided by the Supreme Court of the United States. The decisions involved the whole question of par payments and the elimination of exchange. While the Supreme Court held that the Reserve Banks have

lar and otherwise that "every non-member bank can now withdraw from the par list and charge exchange if it so wishes."

The National Association of Credit Men feels that its members should be apprised of the situation confronting the Federal Reserve Check Collection System. They should also understand the benefits which have been gained for business, for the banks and for the public, by the generous co-operation which 90 per cent. of the banks have given the Reserve Banks in developing a system under which perhaps 98 per cent. of all checks are now paid at par.

For Business:—

It has enabled the business man to receive an actual 100 per cent. settle-

FIGURES INDICATE PER CENT. OF PAR BANKS TO TOTAL NUMBER OF BANKS IN THE STATE.



17 States in which there are no NON-PAR banks

18 States in which less than 5% of total number of banks are NON-PAR

13 States in which there are between 5 and 81% of banks which are NON-PAR

48

which are co-operating by paying their checks at par.

It will be seen that the 10 per cent. of the banks which do not co-operate, but still charge exchange, are largely in the southeastern states. Checks drawn on these banks are being presented in the old roundabout and expensive way.

ORGANIZED OPPOSITION TO PAR-PAYMENT

In view of the elimination of costs, above referred to, non-member banks in most states were willing to pay their checks at par provided all the banks in the state agreed to do likewise. In some states a few banks declined, and in making par payments statewide, the Reserve Banks proceeded to collect checks over the counters of these banks by presenting them through an express company or a local agent. To this there was vigorous objection. Both litigation and legislation ensued, at the instigation of some of the banks still charging exchange, as well as of some checks at par. For several years these

the right to present checks over the counter for payment in cash, and that this was not coercion, as had been claimed, nevertheless it held that there was no statutory obligation upon the Reserve Banks to handle all checks and to enforce universal par payment.

THE PRESENT SITUATION

Since these decisions, the Reserve Banks have, for the present, at least, ceased presenting checks over the counter for payment where banks would not pay them at par, a procedure which was especially distasteful to the country banks. They are now collecting only checks drawn on banks from which payment at par can be obtained directly or through other banks.

The organizations opposed to par payment have not diminished their activity but on the contrary have increased it, and are endeavoring to persuade non-member country banks to withdraw from their agreement to pay checks at par, informing them by circu-

ment when his invoices are paid. This means that when he gets a \$1,000 check payable at par for a \$1,000 invoice, the bank on whom it is drawn pays \$1,000 for it, not less, because there is no deduction of an "exchange charge."

It has made the check of the country merchant, manufacturer or farmer, if it is payable at par, a much more satisfactory and acceptable means of payment in distant places. It has made it less necessary for him to purchase drafts, or carry otherwise needless bank balances, in order to make distant payments.

It has cut in half the average time formerly required to collect checks, and to obtain advice on return of dishonored checks. Speedy collections increase.

It has reduced, and in many cases entirely eliminated, the "interest charges" made by city banks to their depositors for advancing the amounts of out-of-town checks while they are being collected. Of the 300 clearing

(Continued on page 40)

The Diversification of Farming

Its Importance to the Credit Grantor

By John Whyte, Ph.D.

Director of Research, National Association of Credit Men

THE average reader thinks of the diversification of farming in much the same way that he thinks of the diversification of investments: It is the part of wisdom not to put all your eggs in one basket when you make an investment; neither therefore is it the part of wisdom to plant only one crop. But the analogy should be carried farther. In making investments in securities it is surely also the part of wisdom to see to it that the income from these securities is distributed as evenly as

evened out and stabilized. Similarly it would seem that half the troubles of the farm industry would be removed if the seasonal aspect of farming could be eliminated. For certainly with an even distribution of the farmer's income, the farmer would distribute his purchases more evenly and thus would stabilize the retail business in farming communities. The retailer presumably then would be able to buy more wisely from the jobber and manufacturer and to pay promptly and regularly. The

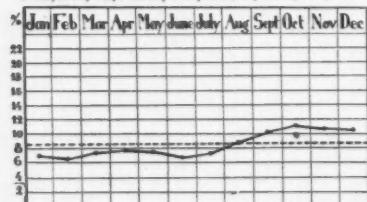
thing has been done and is not therefore a theoretical matter. The figures of the Bureau of Crop Estimate of the Department of Agriculture show, for example, that in one of the great agricultural sections of the country farming is a non-seasonal industry.

FARMING NON-SEASONAL IN NORTH CENTRAL STATES

If the reader will consult the chart of the distribution of farmers' income in the North Central states, east of Mississippi, he will notice two lines. One is

North Atlantic States

Me., N.H., Vt., Mass., R.I., Conn., N.Y., N.J., Penn.



South Atlantic States

Del., Md., Va., W. Va., N.C., S.C., Ga., Fla.



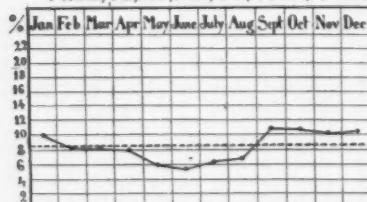
North Central States East Miss. River

Ill., Ind., Mich., Wis.



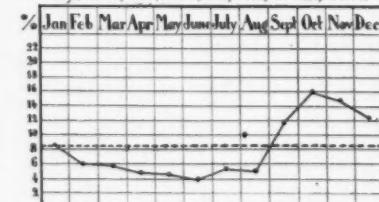
North Central States West Miss. River

Minn., Ia., Mo., N.D., S.D., Neb., Kan.



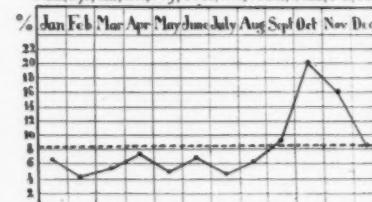
South Central States

Ky., Tenn., Ala., Miss., La., Tex., Okla., Ark.

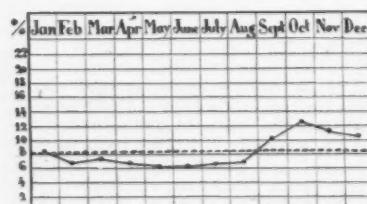


Far Western States

Mont., Wyo., Colo., N.M., Ariz., Utah, Nev., Idaho, Wash., Ore., Cal.



United States



MONTHLY PERCENTAGES OF YEAR'S RECEIPTS FROM SALES BY FARMERS

(Monthly rate of sales from farms, averages for recent years, estimates based upon reports of actual monthly sales made by crop correspondents of Bureau of Crop Estimates of the United States Department of Agriculture.)

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Year
North Atlantic States	7.0	6.3	7.6	7.9	7.8	6.9	7.4	8.6	10.1	11.1	10.8	8.5	100.0
South Atlantic States	8.4	5.8	5.8	5.8	4.7	4.8	5.9	5.6	9.0	15.6	14.1	14.5	100.0
North Central States (East of Miss. R.)	8.4	7.0	9.2	7.7	7.6	8.3	7.7	8.3	9.0	8.1	8.9	9.8	100.0
North Central States (West of Miss. R.)	10.0	8.5	8.1	8.0	6.0	5.7	6.2	6.8	10.7	10.1	10.2	10.0	100.0
South Central States	8.6	6.0	5.9	5.0	4.8	4.0	5.6	5.1	11.9	16.0	14.9	12.2	100.0
Far Western States	6.4	4.2	5.5	7.4	5.0	6.8	4.9	6.1	9.3	20.0	16.0	8.4	100.0
United States	8.5	6.8	7.4	6.9	6.1	6.1	6.4	6.9	10.1	12.6	11.7	10.5	100.0

possible over the year. Similarly it is the part of wisdom for farmers to see to it that their income is distributed as evenly as possible over all the months of the year. But the questions arise, "How can this be done? Is not farming a seasonal industry? Can the seasonal aspect be taken out of it?"

TAKING THE SEASONAL OUT OF INDUSTRY

One of the greatest problems of modern industry is presented by the seasonal aspects of many different lines. Half the troubles of the construction industry and the mining industry would surely be removed if the seasonal aspects of these industries could be eliminated, and if as a result production, employment, wages and income could be

farmer would not be so likely to get himself so deeply into debt, nor would the retailer who is dependent upon him nor the jobber who is dependent upon the retailer. The long and anxious periods between crops would be banished. Overbuying would be less likely to occur. Failures would be decreased. Credits would be for the most part short time credits, and past dues would constitute a far less serious problem. All of this the reader will readily grant. But how can this stabilization and equalization of farmers' income be brought about?

The scientific and detailed answer to this question can be given only by scientists of agriculture. But there are facts and figures available to show that

a broken line (.....) running from January to December indicating 8.3 per cent. This line shows the theoretical even distribution of a farmer's income over the twelve months. For example, if the farmer had \$1,000 worth of products to sell during the year and he could distribute their sale evenly month by month, he would sell \$83.33 worth each month. The second line, which begins at 8.4 per cent in January and ends at 9.8 per cent in December represents the actual distribution of the farmer's income in these North Central states.

Unless the reader is a thorough student of farm economics, he is likely to be startled by the course of this second line. He will note with surprise, for

(Continued on page 20)

"Alice in Rankbustland"

A Satire to Make Credit Men Smile—Perhaps Blush

By C. O. Mangus

WITH the publication of "Alice in Rankbustland" by W. W. Williams, 154 Nassau St., N. Y., there has been torn apart the veil of secrecy which until now has surrounded the authorship of the series of amusing yet instructive and satiric articles on bankruptcy conditions in the city that have been appearing in the New York Credit Men's Association Bulletin.

Using the pen as a surgeon uses a scalpel, the author has relentlessly portrayed the astounding conditions under which dishonest New York merchant debtors, aided by a so-called "bankruptcy ring," annually cheat the business world of millions. So accurate a

suggests ever will arise if the Bar is alert, active and courageous, knowing no master but conscience. The law gives to the creditors, and their representatives, complete control and supervision of the administration of every estate. In their hands lies the power to remedy practically all the evils complained of, if they exist. If this book leads to serious thought to this end it will have served its evident purpose."

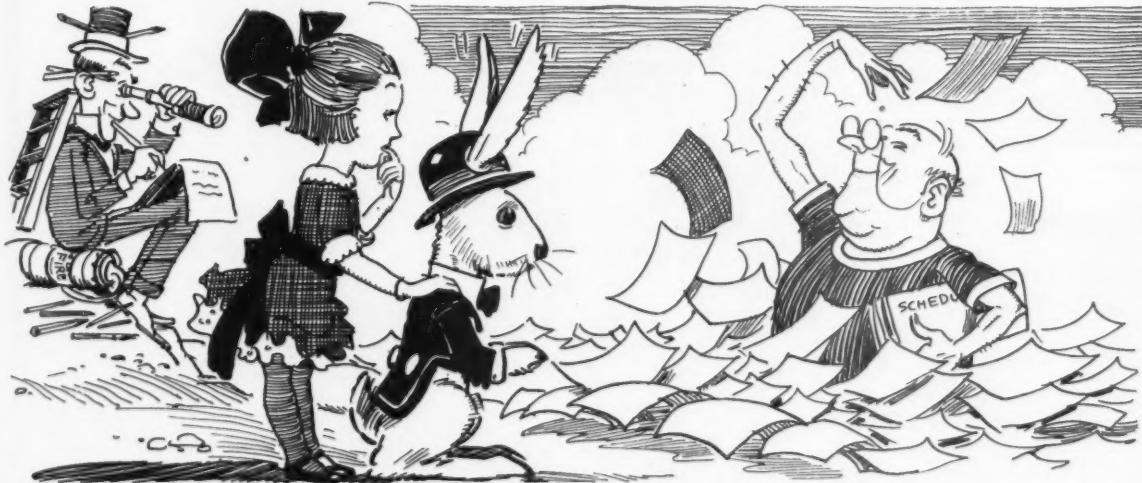
"Alice" will best be appreciated by those who have to do with, or are acquainted with, present-day bankruptcy procedure. To those who know such unsavory details, the things "Alice," under the guidance of the White Rabbit, sees and hears during her tour of

dust and bits of paper and there were little lights over each table and at each end of the tables were old men with gray beards, looking through microscopes. Every little while a light would go out, and the old men would rush with their microscopes to another table where there was still light. It was all very confusing.

"Those are credit men," the rabbit said, "looking for dividends. They were young when they started."

TWEEDLE-DUM AND TWEEDLE-DEE

They came to a room where a man was sitting on a bench in a black gown. In front of him, one man was arguing in a loud tone of voice and



knowledge of present conditions, of abuses which moved the U. S. Supreme Court itself not only to act in the matter, but also to call the attention of the American Bar Association to existing evils, was displayed by the author as to cause wide surmise as to his identity by credit grantors.

Publication of "Alice's" adventures in book form reveals the author as Edwin M. Otterbourg, of the New York Bar, long secretary of the Committee on Unlawful Practice of the Law of the New York County Lawyers Association, and specialist in commercial law.

Federal Judge Edwin L. Garvin, Eastern District of New York, writing the introduction to "Alice in Rankbustland," says:

"A satire, whimsical, too sharp perhaps; certainly sparing no one; it may well be read by everyone who has an interest in improvement in the administration of the Bankruptcy Law. No one who reads it can help but be amused."

"It is to be earnestly hoped that every creditor who agrees with some of the evident opinions of the author will hereafter either give personal attention to the enforcement of his rights, or will use care in the selection of his legal representative. It is not too much to say that no such abuses as the book

"Rankbustland" are a most laughable satire upon conditions of which the "ultimate consumer," who, in the last analysis, pays the monumental bills for commercial crookedness, knows nothing. Said the author himself, before his identity was revealed, when asked to criticize the opening chapters of his book:

"Of course, 'Alice in Rankbustland' is entirely fantastic and it would be intolerable to think that conditions exist such as it attempts to describe."

This comment brought an avalanche of adverse criticism from New York City's 3,800 organized bank and mercantile credit men, who demanded—and now have obtained—publication of "Alice" in book form.

Both the book, and Judge Garvin's introduction, should be read by every business man, lawyer and credit student. If widely read, as it should be, by those most interested, the book should prove a decided aid in the educational campaign regarding bankruptcy conditions that have existed in the United States for the past few years.

Passages from the Book

LOOKING FOR DIVIDENDS

The White Rabbit and Alice came to a large tavern. There were hundreds and hundreds of tables, all covered with

every minute another man would stand up and say "I object" and sit down again. Then the first man sat down and the second man got up and waved his arms as he talked, and the first man would jump up every once in a while and say, "I object."

"What are they doing?" Alice asked. The rabbit said: "They are making motions." She went up close and she saw that both men looked exactly alike and she said to the rabbit: "How strange, are they twins?" And the rabbit said: "One is Tweedle-dum, the petitioning creditors' lawyer, and the other is Tweedle-dee, the Rankbust's lawyer," and when Alice said: "I can't see any difference," the rabbit said: "There isn't any."

DUMMY PETITIONERS

While Alice was talking to the rabbit, Tweedle-dum had laid the paper he had asked her to sign on a table and three men came in. One was lame, one was blind, and one was deaf. The rabbit said: "Watch those dummy petitioners. Each of the dummy petitioners took hold of a pen and one started to write on the wall, one started to write on the floor, and the one who was blind stood there helpless, and the little white rabbit said: "Those are good

(Continued on page 43)

Human Aspects of Adjustments

Salvaging a Million-Dollar Investment

By John L. Richey

Mgr., Adjustment Bureau, Cincinnati Association of Credit Men

THE Manager of an Adjustment Bureau in the chain of the National Association of Credit Men today has one of the most absorbing tasks, and if properly functioning is doing one of the most constructive pieces of work that is being done

ery and other extensive equipment, it may well be that death has occurred through accident in construction of the plant; or that death has occurred through accident or otherwise in its operations. It is also true that responsibilities, worries and difficulties that

Bureau manager, we have felt in this organization, that our activities should embrace more than the mere liquidation of insolvent estates, collection of accounts, and investigation of commercial crooks, but should go into the more constructive features of the work by



MEMBERS OF THE CINCINNATI ADJUSTMENT BUREAU OFFICE FORCE AND A CORNER OF THE OFFICE.

in business. But to accomplish successfully the real purpose of this important adjunct to Association activities, the manager must visualize business as something more than a mere conglomeration of enterprises, for selling, production and for profit.

The Adjustment Bureau manager must, to measure up to his full responsibility in the work, realize to the utmost that parallel which exists between the tragedy of the death of a human being and the tragedy that occurs when an established business disintegrates and expires. Too few apparently appreciate this parallel, and overlook the fact that every worth-while business that has been built to the point of a reasonable measure of success, has been built upon the aspirations, ambitions and dreams of some individual or group of individuals.

If it is a great manufacturing enterprise with the usual buildings, machin-

have arisen have taken from those interested in its up-building and success possibly the best years of their lives in time and endeavor. The greater the enterprise, the greater has been the toll of human life taken in the course of its building and operation.

It is impossible, therefore, when the game of business is analyzed, and its full meaning realized, to separate it from human life. Hence the tragedy when a business fails. Such failures in most cases, merely picture in material form the failure of an individual or group of individuals, physically or mentally. For successful operation in a field which deals with sick or defunct commercial institutions, it is necessary to appreciate this viewpoint in properly analyzing, solving and prescribing for the commercial ills encountered, and their successful treatment.

With the foregoing, a daily reminder of the responsibility of the Adjustment

making an adequate diagnosis and applying proper remedies in rehabilitation of business. In other words, the Adjustment Bureau must save the patient by taking him at a time when the disease will yield to treatment. With that end in view, although it is true we are handling liquidations, where the business comes to us with a fatal illness or has already passed out, we are attempting to concentrate our attention to rehabilitation organization and re-financing.

A case in point will illustrate this character of work although the names, addresses, etc., have been omitted:

A CASE OF DRY ROT

About a year ago one of the larger banks of the city, advised a man who had invested to a very large extent in an old manufacturing business near Cincinnati to come to the Manager of the Adjustment Bureau of the Cincinnati Association of Credit Men, after this

party had stated the substance of the problem to the banker. It developed, in the interview with the person in question, that he owned a large percentage of the capital stock of this manufacturing enterprise, which had been in business some thirty five or forty years. The business therefore was subject in the beginning by three men who were then comparatively young and had considerable ability in their line. They secured adequate capital, purchased real estate, built and equipped a factory. Rather rapidly they built up a highly profitable business, but the product was sold to only three classes of outlet. The business therefore was subject in its operations to fluctuations and conditions existing in the three lines of trade, all of which were closely allied. But with youth and lesser competition in its beginning, the organizers were able to meet every obstacle and tide over periods of trade depression. They had consistently made money during their entire business experience, up to a few years previous to the interview in question.

At that time, however, one of the organizers died, and the two survivors had come to past seventy years of age. They had been proud of their business, they felt, and rightly, that their success had been due to their own endeavors and ability, that therefore the policies and principles followed during their existence must still be sound. Nevertheless business was slowly dropping off, and insolvency was not far in the future.

They could not understand the changes that had taken place in the methods of doing business, changes in sources of raw material, more improved ways of production, changed conditions generally in methods of marketing, as well as greater competition with smaller margins of profit, also the need of adequate cost systems, accounting systems, labor saving devices and all those things which make for lower cost of production, and sales when the margin of profit is small.

Living in the past as they were, they failed to see many other changes as in banking, and in business in general. The result was, that the business had been losing steadily for several years.

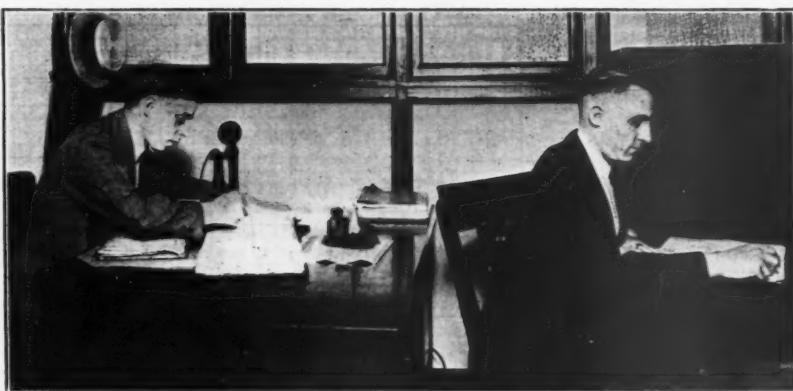
After a rather lengthy interview, the Adjustment manager suspected this to be the case, even before viewing the plant itself. The owners admitted they had come to a condition which they could not handle, and agreed to retire from active management and place control of the entire business in the hands of the manager of the Bureau, through the medium of electing him a member of the corporation and agreeing, by resolution, to his position as managing director, with absolute power over the business so far as it could be delegated by a Board of Directors.

DIAGNOSIS

The first step taken, as is the rule in the Bureau's operation, was to make a complete audit of the books and records of the corporation, through the Bureau's own auditor. At the same time, under the auditor's supervision, and that of the Manager, all properties and assets of the corporation were conservatively appraised. Persons, long identified with the business, were interviewed privately and the day-to-day operation of the business was observed and studied. Others in a similar line of business were interviewed. Conditions surrounding the business were studied, and after some weeks of analyzing the work, a conclusion was reached and acted upon.

TREATMENT

The next step, after diagnosis had been made, was to apply the remedy. It was found necessary to install immediately a simple but adequate cost system to take the place of the makeshift in use. Numerous changes in accounting were made for the sake of accuracy; changes were made in the



JOHN W. HEUBER, AUDITOR AND ACCOUNTING INVESTIGATOR, AND B. F. HARGROVE, JR., OF THE INVESTIGATION AND PROSECUTION DEPARTMENT OF THE CINCINNATI ADJUSTMENT BUREAU.

office covering the routine end of the business, and this alone resulted in saving \$3600 per year on cash discounts which could be taken, but which had been lost through delay in handling mere record work. Estimates on costs were made accurately instead of out of clear air and the mind of one of the employees who, was found to be so far behind the times in his work that he was literally pouring thousands of dollars per year into the commercial sewer in the form of waste. These leaks were immediately stopped. The entire plant was realigned to eliminate back hauls and waste movements in production.

It was found that for years there had been little or no money spent on improved machinery and equipment. After hard work, money was borrowed on a small mortgage bond issue for the purpose of purchasing machinery. This resulted in a cutting down labor cost to a very large extent.

In other words, the entire plant had to be rebuilt as to mechanical equipment. Other improvements, small in themselves, but in the aggregate, extensive, were made in the course of the year.

The purchasing department was checked up, the sales organization aug-

mented and modernized. A few changes in production itself took place to bring it up to date. The financial program was also realigned.

CURE

At the end of the first year, although many changes are still to be made to bring this business to its ultimate, it has written off all depreciation to date, has paid for its new machinery and other extraordinary expense incident to the new administration, is now oversold three months in advance and is making a net profit, over and above the foregoing items, of 15 per cent. In a few more months it will have wiped out a very large deficit and be paying very handsome dividends.

This entire operation involved a business whose investment totals almost a million dollars. Needless to say, those in control of its capital are quite willing to have the present management continue indefinitely. Many changes in personnel have taken place, resulting in the permanent retirement from the business of old employees who had out-lived their usefulness and could not be induced to the new order. One of the greatest tasks in the direction of this enterprise and its rehabilitation was the analysis of key men in the organization, elimination of the unfit, selecting their successors and fitting them into the organization.

A TYPICAL ADJUSTMENT

This is one example of what we believe to be the real work of an Adjustment Bureau. It is typical because it involves

so many of the problems existing in every case brought up for analysis and attention, even to the borrowing of money on one plan or another. A more recent case involved a re-organization and merger of five businesses and the financing of the merger.

May we again say and emphasize that a modern Adjustment Bureau of the National Association of Credit Men has not fulfilled its obligations nor has it reached its goal until it concentrates its efforts on the constructive feature of rehabilitation rather than mere liquidation of defunct estates. It is to be hoped that the National organization will concentrate more and more in training for this work many managers. Such a program for avoiding waste will repay these efforts in dividends in hundreds of per cent.

"Lie-Abilities"

THE Providence Association of Credit Men is decorating its Bulletin with epigrams such as these: "Some debtors have large lie-abilities;" "You cannot corner a square man;" "Don't make customers of your friends, but make friends of your customers;" "Learn by doing and being done."

"If History Repeats Itself"

Says Alvan T. Simonds, "Let's Study History!"

By W. O. Walker

IT was but a year or so ago that one of America's greatest manufacturers spoke of history as "bunk."

Perhaps there were many others not so bold and frank who held the same opinion about the value of history. They recognized that there might be entertainment in its study—but as a guide in a world that differs so completely and radically from the world of any previous generation of men, history was quite useless.

That "history repeats itself" is one of the most common sayings, and yet there is little to show that business men have consciously accepted the great truth that that saying should convey. They have not made it a rule of conduct to look back and try to discover if there be similarity between the present period and earlier periods and from a comparison endeavor to interpret the trends, and to frame policies accordingly.

President Alvan T. Simonds of the Simonds Saw and Steel Co. is among that growing group of business men who hold the opinion that the history of earlier periods offers suggestions upon which to build up policies that should guide a business in the next decade and more. If history repeats itself, let us by all means study history!

He pointed out to the Fitchburg Credit Club recently that the expression, "bloated bond holder" originated in the United States some twenty years after the Civil War; that it was given to the owners of non-callable bonds, who, were enjoying the regular interest on principal fixed during the period of the war when rates were high and were enjoying a purchasing power in terms of commodities which had increased greatly during that twenty year period.

If then, history repeats itself, pointed out Mr. Simonds, thirty years from 1923 the holder of a non-callable bond,—in addition to his profiting by the fact that money doubles itself by compound interest at 5 per cent. in a period of fourteen years,—will receive in the purchasing power of commodities, which is the only thing he can consume, 33 1/3 per cent. increase without any effort on his part further than the usual effort or ability to save money.

Furthermore, prices of commodities will have periods of short rises and long falls. The merchant or manufacturer who is able to manufacture his goods and sell them as quickly as possible, instead of manufacturing for future demand, will reap the greatest profit. The owner of a life insurance policy, if he lives twenty years, if fully paid up now, will reap a greater benefit than the one who pays his premiums year by year. And the man who borrows money to be paid in twenty years will suffer a corresponding loss because he will have to provide the equivalent of a steadily increasing number of commodities to liquidate his indebtedness.

Finally, dollars will never be so

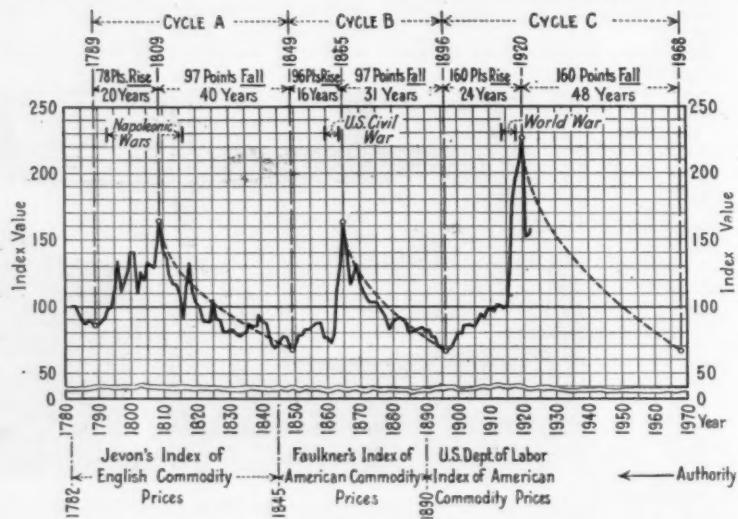
cheap in the next twenty years as they are now and every dollar saved now will be worth more in purchasing power than the dollar saved next year or in any of the next twenty years, unless the trend should be changed by another great war.

In order that the eye might assist in getting an understanding of the trend in periods similar to the present period, Mr. Simonds presented a chart prepared by the Ronald Press Co. which shows how jagged is the price movement curve and yet how inevitable the trend.

science of business is, because of this knowledge, a better business man and contributes more to the general welfare. This is the reason for readings in economics, because, of all the theories and sciences that underlie the successful conduct of business and successful getting of a living, economics is the most important.

WHAT BOOKS TO READ

In the list of suggested readings, presented by Mr. Simonds, "The Wealth of Nations" is selected as fundamental. It



READ HISTORY AND ECONOMICS!

As a background for interpretations and in order to be better prepared to put the present period alongside of an earlier period and not be confused between surface eddies and the main current, Mr. Simonds urged business men to read history and economics.

Out of his experience and his study man builds up a theory, a science, a philosophy for every phase of his activity, says Mr. Simonds. Then he bases his decisions and his work upon this theory. For instance, chemistry for years was based upon the atomic theory which is now superseded by the electron theory. Although the atomic theory was not the final truth, yet chemistry based upon it made great advances. The electron theory is nearer the final truth and therefore even greater advances will be made from now on in chemical science.

Wonderful cures have been reported in the past made by ignorant people; but the most intelligent today seek out the doctor or the surgeon who is most skillful in the practical application of the science of medicine or surgery. A weather forecaster who did not know the theory of weather causation would be only an apology for a weather man. The business man who knows the underlying theory and

has stood the test of time. It was chosen by President Eliot as one of the great books of the world to be included in his five-foot shelf.

This and all the selections are the result of personal experience assisted and checked by the recommendations of thirty-two men competent to advise, three bankers, four business managers, four editors and twenty-one economists and business analysts. The names of virtually all of them are known to nearly every business man in the United States. The recommendation of any one of them would carry great weight. The books named most often in the recommendations of the thirty-two men are the following:

Fundamental

The Wealth of Nations, Adam Smith. Macmillan.

Elementary

Some Problems in Current Economics, Rorty. Shaw.

The A B C's of Business, McKee.

Macmillan.

Economics for the General Reader, Clay. Macmillan.

The Economic Development of the United States, Lippincott. Appleton.

Elementary Economics, Carver. Ginn.

Introduction to Economics, Turner.

Scribners.

Industrial Organization, *Keir. Ronald.*
 Outline of Economics (3d revised edition), *Ely. Macmillan.*
 Economics, *Fetter. Century.*
 The Stabilization of Business, *Edie. Macmillan.*

Advanced

Principles of Economics, *Taussig. Macmillan.*
 Principles of Economics, *Marshall. Macmillan.*
 Income in the United States, National Bureau of Economic Research.
 Profits, Wages and Prices, *Friday. Harcourt, Brace.*
 Unemployment and Business Cycles, *McGraw-Hill.*
 The Financial Organization of Society, *Moulton. Univ. of Chicago Press.*
 Banking and Business, *Willis and Edwards. Harper.*

Special

The Case for Capitalism, *Withers. Dutton.*
 Money, *Foster and Catchings. Polak Foundation.*
 An Approach to Business Problems, *Shaw. Shaw.*
 History of Labor in the United States, *Commons. Macmillan.*
 The A B C of the Federal Reserve System, *Kemmerer. Princeton Univ. Press.*
 Agricultural Economics, *Taylor. Macmillan.*

Self Control More Important than a Constitution

THE trouble today in the United States, is that we are losing self-control and that is the reason for our Constitutional troubles. When we lose self-restraint and control, the Constitution cannot hold us together in friendly living. Our Constitution will be useful in the future to the extent that we respect the rights of others as well as our own.

Thus, says Charles S. Quinn, of The Public Ledger Co., did Dr. James T. Young, of the University of Pennsylvania, express himself at the last noon meeting of the Philadelphia Association of Credit Men.

In Switzerland, where Dr. Young lived for some time, they bring up continually the question—"What should we change in our Constitution?" This being so different from procedure in the United States he inquired as to the result. The reply was, "Our Constitution fits like a garment and we change it when necessary to make it fit better."

Dr. Young pointed out that our various groups, such as protectionist or farm bloc, through the weakness of human nature, whenever they get control, use it in their favor, and that there is just as much danger from this source under our own Constitution as under any monarchy.

Drifting into Bankruptcy Trouble Avoided by Facing Facts

By H. J. Miller

E. L. Miller & Sons, Bentonville, Ark.

DRIFTING! Drifting with the tide full many a commercial enterprise has come to grief and an untimely end because its managers had not the courage to face facts as they really existed, nor the energy to put into execution plans and measures which would have halted the downhill glide to ruin.

In a very large percentage of the failures of this country the managers or responsible heads of the failing enterprises were aware long before the crash that they were headed for disaster but simply went on from day to day hoping for a change for the better, hoping for a miracle that never happened.

Whenever a business ceases to show a profit, right then it is time for an investigation to be made to determine what is the matter; and, having found out, right then it is time for drastic action to be taken to remedy the situation. Too many business men when confronted with a deficit comfort themselves with the thought that the condition is brought about by local or national conditions, conditions over which they have no control, and that in a short time the difficulty will adjust itself. In nine cases out of ten the trouble is right within their own organization, trouble which is fundamental and which only drastic action will allay. To play the waiting game will only lead to disaster sure and certain.

Lack of adequate records showing just what a business is doing is often given as a reason for business failure. No doubt this does account for quite a number of failures, but these smash ups are insignificant in number compared with those failures that occur in spite of elaborate systems of record; failures brought about by procrastination, indolence and a general refusal to heed and act in accordance with what the records show. In other words the fundamental trouble is rather of men than of records.

WAITING FOR SOMETHING TO TURN UP

A type of procrastinator who lets creditors in for huge losses each year is the merchant debtor who in spite of the fact that he has made many radical changes in his business and has done everything possible to get it on a paying basis, finds that he is still going behind. The thing for that merchant to do is to quit and to quit as quickly as he can. Nothing will be gained by such a man's holding on and much will be lost. The merchant holds on and on, waiting for business to pick up, waiting for the lucky stroke of fortune that will save him, spending his own and his creditors' money, holding on until the last faint glimmer of hope is gone and the sheriff is tacking a sign on his window. The inevitable result is that

neither he nor his creditors receive anything worth mentioning out of the wreck.

"Hope springs eternal in the human breast," as the old saying goes. This no doubt explains why so many business men continue a struggle which their own better judgment tells them is useless and a waste of time and effort when judged by any practical standard. I do not mean that it does not sometimes pay and pay well to stick to the bitter end but the occasions when it does pay are rare and far in the minority. In the large majority it only leads to much greater loss on the part of the merchant and his creditors. He had far better get out while he has something left and make a fresh start where the odds are not so overwhelmingly against him.

ANALYZING THE MERCHANT'S TROUBLES

Whenever a creditor sees that a customer is running into difficulties he should make an honest effort to ascertain what is the matter. Because of his broader outlook and wide experience in dealing with many different types of business men and their problems he is often able to spot the trouble quickly, providing the merchant in difficulties is honest with him and willing to give him the actual facts and the co-operation he is entitled to. After sizing up the situation he should make certain recommendations and having made them he should keep closely in touch with the merchant and see what effort he makes to put the suggestions into effect. If he does absolutely nothing as is so many times the case it is time for the screws to be clamped down for the benefit of everybody concerned.

In the case of the merchant who in difficulties is making drastic changes and a desperate effort to get out of his tangle and on a paying basis, the fullest co-operation should be given by creditors. But if after a reasonable length of time the business fails to respond to other treatment and continues to go behind, it is time for the screws to be clamped on her also, to prevent dilly dallying, which can only result in heavy losses both for the merchant and his creditors.

Analyze carefully any group of failures that you may and you will find that in virtually every one of them losses could have been held to a minimum had it not been for procrastination and the failure to take vigorous action in time. It is so easy to let things slide, to drift with the tide, to deceive ourselves into believing that tomorrow is going to be better than today although our more sober judgment tells us that it is not. It is easy to believe but it takes courage to face bitter facts and act in accordance therewith.

The Diversification of Farming

(Continued from page 14)

example, that the farmers in these states receive more money for their products in March than they do in any one of the so-called "harvest" months of August or September or October or November. Even June, which is usually among the dull summer months, is more remunerative to these farmers than October. The deviation of income from a theoretically perfectly even distribution of 8.3 per cent. per month is relatively slight in these states, the lowest month, February, recording 7 per cent. and the highest month, December, recording 9.8 per cent. of the total income.

The farmers in this part of the United States have therefore definitely taken the seasonal out of the farm industry. How have they done it? In brief, by diversifying their crops and by raising live stock. Though diversification of crops will reduce the seasonal high point of income, no amount of diversification can flatten the harvest peak of income that results from crops, for crops have a way of maturing in the summer and fall. However, the seasonal high points from crops are largely offset by the sales of live stock, which are heavier in December, January, March and June than they are in the so-called "harvest" months. The sales from live stock products are fairly evenly distributed throughout the year. The total sales of these three groups,—crops, live stock and live stock products,—combine to almost even out the farmers' income.

FARMING SEASONAL IN SOUTH CENTRAL AND FAR WESTERN STATES

On the other hand, farming is a distinctly seasonal industry in the South Central and Far Western States. If the reader will consult the chart for the South Central states, he will be impressed by the wide range of farmers' income during the different months. Whereas in the North Central states the range of income is between 7 and 9.8 per cent. for the twelve months, in the South Central states the range is between 4 and 16 per cent. A typical farmer in these states receives therefore four times as much money in October as he does in June.

The disparity between the sales in different months is even greater in the Far Western States. The Far Western farmer, for example, receives almost five times as much money in October as he does in February. Thus, if a farmer in these states has an income of \$1,000 and spends it all during the year just as he receives it, he would spend \$200 in October and only \$42 in February.

FARMING IN THE UNITED STATES SEASONAL

The non-seasonal aspect of farming in the North Central states cuts down the peak of the typical American farmer's income in the autumn months, but it cannot flatten it for the seasonal aspect of farming in other parts of the country is still too pronounced. A glance at the chart of farmers' incomes in the United States will show that the income in the fall months of American farmers, taken as a whole, is almost twice as large as it is in the summer months.

DISTRIBUTION OF FARMERS' INCOMES AND THE CREDIT MAN

What is the business man's relationship to this question of diversification of farming and the distribution of

An Educational Story

"**A LICE in Rankbustland**" is probably the most effectively educational story about wasted credits ever printed.

To those who do not know, as credit men know, the geography of Rankbustland, with its Deaferees, and its Tweedie-dees and Tweedle-dums, etc., this story must come as a revelation.

James L. Medler,
Pres., N. Y. Credit Men's Assn.

farmers' income? It is a twofold relationship. First, it has to do with his business attitude to farming communities in view of the facts illustrated in these charts and figures. Second, it has to do with his responsibility to the problem of stabilizing the farmer's income.

The fact of diversification or non-diversification of farming has certain implications for the work of a credit manager. The farmer's income, constitutes, of course, the farmer's purchasing power. Since the farmer's purchasing power is a determining factor in the business of the country as a whole and an almost all-powerful factor in thousands of small towns and cities, the credit man is vitally interested in the question of distribution of this income or purchasing power. Indeed every contact of the credit man with the retail merchants of small towns and cities in agricultural sections of the country is modified by this factor.

The figures for distribution of income for the different parts of the country, as seen in the accompanying charts and figures, have a bearing on terms of sale and the questions relating to these terms, and a vital and all-important bearing on the violation of terms of sale. For example, in view of the even distribution of income in the North Central states, it would seem theoretically that there is no justification for granting long terms of sale to retailers in farm communities in these states, except of course for the sale of seasonal commodities. On the other hand, there would seem to be justification for longer terms in sections of the South and Far West, where the farmer's income and hence the retail merchant's income are concentrated heavily in certain months of the year.

Those merchants who find that their terms are departed from by their customers in certain parts of the country and held to in others will find the explanation for this difference in the varying distribution of purchasing power in different parts of the country.

DISTRIBUTION OF INCOME AND PAST DUES

When is a past due not a past due? Never. And yet there are differences in past dues; and these differences are not alone in the amount of time past due. Other things being equal, a past due in an agricultural community in June in Wisconsin is a far more serious matter than a past due in June in Georgia, for the farmer's income is far more evenly distributed in Wisconsin than in Georgia and there is less excuse for past dues in June in Wisconsin than in Georgia. On the other hand, a 30 days past due account in Georgia in the month of December, after the fall crops have been harvested and sold, is a far more serious matter than an account 30 days past due in the month

of December in Wisconsin. For in Georgia the past due in December is likely to remain a past due for seven or eight more months, or may have to be charged off entirely, whereas a similar past due in Wisconsin may presumably be liquidated in any of the succeeding months, since the farmer's purchasing power in Wisconsin is maintained almost uniformly throughout the year.

COLLECTION LETTERS AND PAST DUE ACCOUNTS

Credit men who give special thought to their collection letters like to make use of the psychological and economic moments to collect their past due accounts. Thus, for example, they begin a drive on the retail merchants in farm communities in the fall of the year as soon as the farmer has harvested his crop, and when, therefore, the retailers are presumably rolling in money. They tell their debtors that they should be able to pay their past due accounts now that the fall crops have been harvested. This argument is both psychologically and economically sound when addressed to the retailers in most of the agricultural parts of the country. It is surely not anywhere nearly so convincing, however, when it is addressed to the retailers in the farming communities of the North Central states.

THE CREDIT MAN AND THE PLEA FOR GREATER DIVERSIFICATION

The drive for greater diversification of farming and thus for a more even distribution of the farmer's purchasing power is moving forward in many parts of the country at the present time. Large sections of the South are making vigorous propaganda for greater diversification, and the plight of the wheat farmers in certain sections of the West and Northwest has given new impetus to the idea in these sections. The merchants in these communities, by cooperating with the agricultural authorities, both State and National, can help to bring before the farmer and the public the advantages of diversification of farming.

Many of us who are not farmers assert that the farmer is not a good business man. We should not forget that it takes a remarkably good business man to conduct a highly seasonal business successfully. If we scanned our acquaintances in the business world and knew their incomes, we should probably find that those who earn \$200 a week for half the year and only \$40 a week for the other half are in debt in the slack season. It was easy come and easy go while it lasted, and it is hard for anyone to budget his expenses properly when his income fluctuates widely over different parts of the year. The farmer has had the same difficulty in budgeting his expenditures.

HELP FARMER GET RID OF THE SEASONAL

Many of the proposed solutions for the farmer's troubles are unsound or at the most debatable. Price fixing is economically unsound. High tariffs on farm products are at the most doubtful remedies. More credit, for the farmer is hardly the solution. But diversifying the farmers' industry and thus stabilizing his income is economically sound and agriculturally feasible. And with the stabilization of the farmer's income will surely come a greater stabilization of the retail business and thus of the jobbing, wholesale and banking business of the country.

When Credit Men Get Together

Conferences at Albany, South Bend, Milwaukee and Chicago

By Benjamin Ellis

DURING October three important state conferences of members of the National Association of Credit Men were held, each proving to be of great value and interest to those who were fortunate enough to attend. The first was the annual conference of New York State credit men at Albany, on the 22nd; the second of Indiana credit men at South Bend, on the 26th, and the third of Wisconsin credit men at Milwaukee, also on the 26th.

The credit executives were welcomed in each case by men prominent in the cities entertaining them, and the conferences were addressed by speakers well known for their activities in business and professional fields and in the world of credit. Among the speakers and the topics chosen were:

At Albany: The Moral Risk in Business; Ira D. Kingsbury of Rochester.

Is the National Bankruptcy Act a Failure?

W. E. Maxfield of Syracuse.

The Second Mile in Business; H. Uehlinger of New York.

At South Bend: The Federal Reserve System—has it been justified and what are its benefits to the banking trade? Edward F. Schumann of Fort Wayne.

Procuring and Analyzing a Financial Statement. What it should tell of a debtor's condition; how may its integrity be preserved? A. F. Bader of Evansville.

The Credit Man's place in the Scheme of Business; John M. Fitzgerald of Terre Haute.

Credit Inflation; David A. Weir of Notre Dame University.

The Steel Products Co. applies for a Bank Loan. Playlet by the Comedy Trio of Indianapolis Assn.

At Milwaukee: The Milwaukee Conference was addressed by Natl. Sec.-Treas. J. H. Tregoe; J. M. Conway of Green Bay spoke on The Federal Reserve System,—its preservation as an ally to our commerce.

A banquet closed each of the conferences, and additional speeches were given at each. Natl. Pres. Edward P. Tuttle, Natl. Sec.-Treas. J. H. Tregoe, and Dr. James Sullivan, Asst. Commissioner of Education for the State of New York, addressed those attending the Albany banquet; at South Bend, B. B. Tregoe, manager of the Foreign Trade Dept. of the National Association of Credit Men, spoke on "Making Credit Foolproof," and Arthur J. Morris, founder of Morris Plan Banks, spoke on "The Credit Man, and What he Stands for."

ANNUAL CONFERENCE OF CREDIT ASSOCIATION SECRETARIES AND MANAGERS

Chicago has established itself as the meeting place for the annual conference of secretaries of local credit men's associations and adjustment and interchange bureau managers.

The Chicago officers and members throw wide open their hospitable doors and aim to provide for the conference sessions to the best possible setting and for the hours when business is over forms of entertainment that will serve to create a fine feeling among the delegates and give the opportunity of mingling with Chicago members.

Among other arrangements made by the Chicago association was the dinner to secretaries and bureau managers at the Edgewater Beach Hotel followed

by an automobile trip through the Chicago boulevard system. The next evening there was given a dinner to the visiting representatives at the monthly dinner meeting of the Chicago Association of Credit Men. At this dinner the delegates enjoyed a demonstration of the value of trade division work; the representatives of various lines of business were grouped together under their own banners. By way of contrast, on the following night there was a Haloween party, with special lyrics, music, decorations and all the regalia appropriate to that lively night, organized by C. A. Richards of the Chicago Adjustment Bureau.

The Conferences were intensely interesting. The Adjustment and Interchange conferences demonstrated that in these branches of service the Association is developing credit department facilities that should accomplish much in placing our credit system on a firmer basis and in eliminating much of the waste that is now laying a heavy toll on commerce.

The serious purpose of the conferences is perhaps best understood by a glance at the Secretaries' Conference program, as follows:

PROGRAM FOR SECRETARIES CONFERENCE

- 1—THE SECRETARY'S RELATION TO HIS OWN OFFICE AND ASSISTANTS.
 - a Arrangements of office and their effect on disposition of Secretary
 - b Distribution of supervision and Secretary's time
 - c Necessity for systematic operation and placing of responsibilities
- 2—THE SECRETARY'S RELATION TO HIS CORRESPONDENCE.
 - a Filing systems and work organizers Dictaphone vs. stenographer
 - b The effect of a clean desk or a desk full of accumulated correspondence on a visitor and the mind of the Secretary
 - c The proper time for answering correspondence
 - d The obligation of Secretaries regarding inter-association correspondence and requests for service
- 3—THE SECRETARY'S RELATION TO HIS PUBLIC MEETINGS AND TRADE GROUPS.
 - a The proper type of Association meetings
 - b Association bulletins, news letters and publicity to members
 - c What part should the Secretary take in meetings?
 - d What is the responsibility of the officers?
 - e When should trade groups be organized and how should they function?
 - f What can a trade group do in addition to exchanging credit information?
- 4—THE SECRETARY'S RELATION TO HIS MEMBERS
 - a Is the member always right? The proper viewpoint of the Secretary in this regard
 - b Respective obligations of full time and part time Secretaries
 - c The personal qualities desirable to make a Secretary most useful to his members
 - d The Secretary's obligation toward selecting officers, directors and committees and assisting them to function
 - e What should a Secretary read in order to better understand the viewpoint of his members?
 - f The respective obligation of the Secretary and the membership in soliciting new members
 - g How much responsibility should a Secretary assume and how much belongs to the officers and directors?

5—THE SECRETARY'S RELATION TO OTHER ORGANIZATIONS AND THE PUBLIC AT LARGE.

- a His relation to chambers of commerce and boards of trade
- b His relation to other credit associations
- c How do the activities of civic and social association affect our Association membership?
- d What civic interests should our Associations display?
- e What is the purpose of an association of credit men aside from operating association departments and regular meetings?
- f Why should our Association interest the public at large?

6—THE SECRETARY'S RELATION TO THE NATIONAL ORGANIZATION.

- a What can the Secretary do to help the National Association's Secretary-Treasurer, in his routine work?
- (1) Correspondence with the National office
- (2) Reports of elections
- (3) Reports of Committee appointments
- (4) Prompt report of new members
- (5) Contributions to Credit Monthly
- b What shall the National office do for the Secretary?
- c Why should the Secretary co-operate with the National office?
- d Are the relations to the National office of a part time and full time Secretary the same?

A Friend of 15 Years

By J. J. Hendrick
Bentley-Gray Dry Goods Co.,
Tampa, Fla.

NOTING that the CREDIT MONTHLY is celebrating its Silver Anniversary, I write to congratulate you on its twenty-five years of service to our fraternity.

I could not help indulging in a few moments "ruminating", as Bill Arp says, and have thought of the many, many fine and appropriate articles published and which I have read for a period of fifteen years. You know in this length of time, that there must have been many perplexing problems which have arisen that I have had to solve; and I want to say to you that from time to time articles have appeared from the versatile pen of J. H. Tregoe and experiences of others that have either accused me, or have been the source of satisfaction and have put the stamp of approval or disapproval on my actions, as the case might be.

It would indeed be a loss, and I would miss a true friend, if, perchance, the CREDIT MONTHLY did not reach my desk regularly. I have on one or two occasions expressed my appreciation of it on the floor at the conventions of the National Association of Credit Men.

May it live and grow and be a source of powerful influence not only to our profession of credit granting, but to our Nation as well. It is the mouth-piece of an Association whose influence is felt throughout our broad land by financiers and politicians; and as our Association grows this influence will be the means of shaping much valuable legislation.

I could not refrain from writing you these few lines of congratulations and my best wishes.

With The Editor

When Farmers Are in Funds

CREDIT men may soon be able to throw into the discard the old theory that credits extended in farming communities must necessarily cover that long period between seed time and harvest or longer.

A revision of farm operations is in progress which is leveling the peaks and valleys of farm income and giving the farmer an almost uniform income throughout the year.

Dr. Whyte in this issue of the *CREDIT MONTHLY* tells why this movement is of interest to credit men and why they should take keen interest in encouraging it.

One cannot fail to receive the impression in reading this story of the change in farm income that the interests of credit men penetrate into every form of human activity; and a still more important lesson drawn from the farming situation is that it is now possible in these days of quick and simple exchange of ideas to alter the most deep-seated habits of a whole people or class.

No Expansion of Prosperity Without Expansion of Capital

SECRETARY of the Treasury Mellon has again made us his debtors. He has given us, in a letter to the Chairman of the Ways and Means Committee of the House, a discussion of the principles which underly the assessment of the income tax and has shown how far-reaching and injurious are the effects of certain income tax levies upon those who seem not to share in paying them.

Mr. Mellon has made reductions in the income tax the outstanding political question in our domestic affairs. Although probably not intended as a challenge to Congress, his letter to Chairman Green will help American business to find its voice in demanding of those who represent the people at Washington that the process of drying up the sources of new productive power by an income tax framed under the strain of war and appropriate only under war pressure, shall cease.

One of the most difficult problems is to get the man on the street to think of capital apart from a group popularly called capitalists. The confusion prevents him from seeing that there can be no expansion of prosperity for him or the run of mankind in general unless there be an expansion in capital, and that whatever tends to prevent expansion or cause the drying up of capitalistic sources will inevitably bring injury to him.

If the Secretary's statements are sound, business should not be willing to accept without protest the statements that are coming from some high places

in Washington to the effect that a revision of the tax is impossible in the coming session. Congress will not close its ears to the demands of the people if the demands ring clear and loud.

Unquestionably Secretary Mellon has given an answer—second in importance only to the European situation,—to the question, "What is the reason for the feeling of uncertainty as to the business future?"

Business men all over the country individually and in their associations should make their voices heard immediately at Washington in the demand that the reduction of income taxes shall be the first order of business before the new Congress, and they should refuse to be satisfied with the answer that practical politics puts tax revision at present out of the question.

Taking the Terror Out of the Overhead Nightmare

THE natural tendency in every office is for expenses to increase. They inevitably increase unless they are subjected to frequent and systematic review and courageous treatment. One rarely finds a spending department that will accept graciously criticisms and suggestions for diminished appropriations. The spirit of resentment is at once stirred.

Yet experts declare that there is scarcely a process in any plant one may pick out at random which cannot, by reasonable study, be simplified and cheapened.

There is a story of a factory that specialized in workingmen's clothing. The factory had followed for years the usual pattern of garment making, which is found in the better class of clothing. This manufacturer became dissatisfied. He felt that there was unnecessary expense in manufacture and that, without sacrificing quality, a garment might be turned out that would enable him better to meet the strong competition prevailing in his line.

Shutting himself away from all interruptions, with his foreman he examined every cutting of the cloth, every row of stitches, with the result that a garment, as durable and as satisfactory as was the garment made under the old method was produced to sell at \$2.50 instead of \$3.25. This gave a better margin than under the high price. The result was new zest to order getting, greater economy in selling and collecting and a factory so full of work that the business of new customers could not be accepted. These happy results came through sharp criticisms and the readiness to depart from accepted standards and habits in clothing making.

There is not a department of business, whether it be production, selling, credits, accounting or shipping the painstaking analysis of which will not

suggest some better way, some more economical way, some way by which that overhead nightmare may be made less terrifying.

If there were less ungraciousness on the part of managers, foremen and workers in facing criticism and analysis there would be far fewer concerns showing red figures and far fewer failures.

Fullest Possible Acceptability for the Bank Check

THE work of the National Association of Credit Men for the firm establishment and extension of the par check in settlement of obligations at distant points has at last taken a definite shape. A plan has been formulated which gives promise of the Association's performing another signal service to the country's commerce.

The plan takes the form of acknowledgement and appreciation to all those banks that have waived the so-called exchange charge and have entered the great check clearance system devised and perfected under the Federal Reserve System by paying at one hundred cents on the dollar checks drawn on them and presented through the Federal Reserve.

The toll now lifted off American industry ran into many millions of dollars. And yet, the banks too are gainers in the greater acceptability of their checks and in the service now extended them because they have harmonized their operations with the Federal Reserve requirements.

Business should be ready to acknowledge the service done to it; and there can be no better way of acknowledgement than to express to the whole country a preference for the check that is paid by the drawee bank without a penny deducted.

The Association's par check payment plan, which is set forth in this issue of the *CREDIT MONTHLY*, presents what has seemed the way best to assure the permanency and extension of the par check as a basis of settlement.

The main business of the bank is to afford commerce the most acceptable form of money lender. The par differentiates the bank from the lower form of money lenders. The par check is but another step in gaining for bank credits, as represented in the check, the fullest possible acceptability.

The Foreign Buyer's Viewpoint

Why Rodriguez Must Have Long Terms

By Fred. S. Phillips

YOU will recall the parable in the New Testament about the master who gave to his several servants certain talents. The one that received five put them to use thereby increasing them to ten. While he who received one and left it unimproved ended by having not even that one, because it was taken away from him.

There are five talents in Export Trade. They are:

1. Honest Merchandise
2. Salesmanship
3. Potential Markets
4. Financial Resources
5. Credit Facilities

He who learns how to properly coordinate and use these talents, cannot fail to increase them a hundredfold.

There are, I regret to say, still some who seem to doubt that credit is a legitimate part of foreign trade; yet it would seem that an analysis of our commercial history in the past few generations will convince anyone that credit is an integral and essential part of trade anywhere and everywhere.

Bear in mind that the tremendous development of our domestic business has been in large part due to the intelligent and masterful development of our credit machinery. Such men as J. H. Tregoe, of the National Association of Credit Men, may well be looked upon as among this country's foremost benefactors, in making possible the present credit machinery and facilities at our disposal.

The fact that ten units of credit can be superimposed upon one unit of gold, enabling this country to do an annual business of forty billions of dollars, is sufficient, it seems to me, to convert any doubting Thomas of foreign credit.

If credit is such a vital factor in our own country, it is equally necessary in international trade.

RODRIGUEZ OF HAVANA

Let us now examine a concrete case to see just why Foreign Credit granting is legitimate and normal and necessary.

Take the case of Juan Rodriguez in Havana. He has a large hardware store. He came over from Spain as a poor boy and after years of hard work and faithful application to business, he has become a prosperous, dependable merchant. He has a good sized store and does a large business. He must keep his shelves and warehouse well stocked, anticipating the demand of his trade for many months ahead. He is at a considerable distance from his sources of supply and must allow for delays along the line.

His capital and resources are considerable, but as a normal business man he could not be expected to keep these in liquid form for the purpose of advancing money to the manufacturers from whom he buys, sending this money abroad perhaps months before he receives the goods. To do so would be an economic waste, to say

nothing of the high cost to him of so doing.

He carries a large stock, and has a considerable overhead. Besides his store, he has his warehouse for his reserve stocks. Moreover, his is not the retail hardware store that we are accustomed to see in our home town. He sells at retail and also at wholesale. Now you would suppose that his retail business would be on a cash basis, but in large measure it is not. All business men and houses who buy from him and not a few private individuals sign "vales" for the goods they buy. These "vales" form an integral part of the old-fashioned Spanish business procedure that is found wherever the influence of Spanish merchants has extended. These "vales" are kept until the end of the month and are then presented by a collector with a bill or statement.

But our friend, Juan Rodriguez, has another important trade that often is both larger in volume and requiring different handling. He sells to local contractors, to tobacco growers, to sugar planters, etc.

The contractor may require several months credit, to permit him to get his money from his clients. The tobacco grower is investing his ready cash in the running expenses of the season, before gathering of the tobacco crop. If he has had a poor crop, he will require extra credit and financing facilities. He is a good risk but he cannot and does not pay cash to our friend Rodriguez. The sugar planter has invested his cash in improvements, wages, increased acreage, etc., and during the season when the sugar cane is maturing, he has no cash to pay Rodriguez. But Rodriguez doesn't hesitate in giving him time in which to pay.

Furthermore Rodriguez sells at wholesale to a number of dealers in the small cities and towns of the island. These dealers do their principal business with employees of sugar planters or tobacco growers, etc., and a large part of what they sell is on a credit basis. So you see Rodriguez really helps to finance his customers, and his customers' customers.

This method of doing business is justified, first because of the agricultural conditions of the country, and second because of the native honesty and sense of honor of the people.

Now often Rodriguez pays cash for the freight on the goods he buys; always he pays pretty heavy duties. No one will blame him for being unwilling to borrow money at 10, 12, 15 per cent. in order to advance cash to pay in advance for the merchandise he buys.

But, say you, what has Rodriguez done with the profits of the past years that he has been in the business? Well, he didn't figure on leaving it about idle and unprofitable, awaiting the beck and call of the American manufacturer. He invested some in real estate, some in a fine residence,

some he put into a sugar plantation, and some he has used to help finance a couple of bright honest young men in a new business. Yes, he has no ready cash today to extend as gratuitous credit to an American manufacturer!

Shall we substitute in this picture Luis Carajoles in Guayaquil, Ecuador, selling the cocoa-growers, or Enrique Navarro in Buenos Aires, extending credit for the season to farmers and cattlemen; or shall we consider John Bullwagger of South Africa, who also finds need to give credit extensions to his trade? The cases are similar to that of our friend Rodriguez.

ARE FOREIGN CREDITS SAFE?

But perhaps you do not question the need for credit facilities in foreign trade. Maybe you are rather concerned as to whether it is safe to extend credit 4,000 or 10,000 miles away.

An aeroplane at five thousand feet altitude is much safer than at ten feet from the ground.

Something of the same sort applies to long-distance credit granting. The very factor of distance eliminates many who would otherwise be undesirable seekers after credit. Furthermore, legitimate credit seekers abroad are in a position to substantiate their claim for credit. It simmers down to this: the risk involved in foreign credit granting is really minimized by rational, intelligent credit investigation and analysis. I maintain that a large percentage of foreign credit losses have been due to unintelligent, or ill-considered credit granting.

Let us grant a number of foreign merchants in those days speculated on the abnormal credit facilities they got from American shippers. But also it is true that American shippers, a great many of them, in the lull of business in the United States in 1920, speculated on the abnormal market conditions in foreign markets, so let's say quits!

I am here reminded of what Mr. Wyman said recently—"To my mind the credit function is one which is wholly legitimate so long as it capitalizes the character and capability of the recipient and extends the working capacity of his capital. It is not wholly legitimate when the length of credit extended is such that it enables him not only to pay in part or in whole from the proceeds of his own sales, but also enables him to speculate for a period of time, with money which legitimately should be in the hands of the exporter."

In passing I will say what I have several times said in public in the past, and got some back-hand kicks therefrom. All my contact to date with Foreign Trade leaves me convinced as formerly, that—"The Foreign Credit Risk is quite as safe, if not indeed safer, than the average domestic credit risk."

In summing up let us briefly set down some of the reasons and some of

(Continued on page 28)



The Credoscope

By J. H. TREGOE

NO PLACE FOR PESSIMISM

I fancy the contemporaries of Napoleon often wondered what would happen when his iron heel was lifted from Europe and nations were righting themselves after the years of turbulence in which he was such a factor. By the same token, a great deal of wonderment can now be expressed as to the future and what Providence has in store for the world.

In the evolution of these problems, there is no place for pessimism. It is only natural to worry, but one can worry without becoming pessimistic. I recognize that under the duress of oppressive conditions even great souls have at times become temporarily pessimistic. John Marshall fell to that temptation, when in the face of overpowering criticisms he wrote, "I slowly and reluctantly yield to the conviction that our Constitution cannot last."

Following the thread of our early history we see that it might often have been justifiable for the patriots to be pessimistic, but now we know that pessimism should not have ruled, for our Constitution has endured and upon it one of the world's great nations has been reared.

In the midst of turbulent conditions and uncertainties, no one is helped by indulgence in pessimism. By standing fast and holding hope for the future, we can accomplish more than by throwing up our hands and saying, "All hope is gone."

Turning to the theatre of business, it has been, it seems to me, extremely injudicious and hurtful to have had of late so many pessimistic prognostications for the future as the commercial atmosphere has borne. If we are in distress, if there are maladjustments in the production and circulation of commodities, if the costs are disproportionate to profits, can these conditions be relieved by the indulgence of pessimism? Let us but reflect that every condition expresses a human defect, and that somehow or other, humanity, after all, rights itself.

We should suppress every tendency to indulge pessimism. We must clear the business atmosphere of the effects of every pessimistic utterance that has been put into circulation. We may worry a little, because by worrying better work may be stimulated. Where there is a defect there should be a remedy, and we ought to be active and diligent in discovering the remedy. Wherever there is a real objective, there is some way to reach it. If these things are so, then we should work in confidence; we should recognize how greatly we have been favored as a Nation; that the large amount of money in circulation can be sensibly controlled and that by persistently endeavoring to

keep ourselves right and help to keep the other fellow right, we can get things on an even keel and later have the privilege of looking back with a smile on the difficulties we have passed through.

It is confidence we need, and wherever confidence exists, pessimism has no chance for existence.

PROFITS

While business fundamentally is for the public service, there is no incentive to undertake a business enterprise and assume all the chances inherent in business operations without the hope and expectation of a reasonable profit.

I have oftentimes thought that the framework of our business was too rough; that in the various elements comprising business sufficient thought has not been given to the science of management and control. The employee may never give a moment's thought to the source from which his compensation comes, and throughout the business world this thoughtlessness too largely exists.

The interests of owners and employees are alike in many ways, but this difference exists: only the day by day compensation of the employee is jeopardized while the entire investment of the owner as well as his means of livelihood are in jeopardy, should the business fail of success.

In the final word, therefore, a reasonable profit must be assured from any legitimate business undertaking if further investments in the same line of endeavor are to be encouraged and that part of the Nation's wealth represented in productive enterprises is not to suffer diminution.

The Treasury Department in a recent report broadcasts the news that the taxable income of corporations in this country was approximately three and a half billions less in 1921 than in 1920. Of the 356,397 concerns making returns, a little more than one-half, or 185,158, reported deficits in 1921 aggregating nearly four billion dollars.

These figures should cause us to reflect, for they run close to the heart of our most serious present day problem. They should be a spur to everyone interested in business to control costs and secure for business a reasonable return on the invested capital. In the face of this perilous situation, whenever determined efforts are made to force up wages without a thought of increased production, those concerned in such movements are losing sight of the fact that they may kill the goose upon whose productivity they have been depending. We shall never be able to bind ourselves in the strongest ties,—with all elements con-

cerned co-operating sincerely and fervently in making capital and compensation safe,—until the inevitable fact of the necessity of reasonable profits is generally recognized, until conscientious, even sacrificing, efforts are made to preserve the sources of compensation and capital.

This is not an appeal for any class or for any interest, but an appeal to every element in business, whether it be concerned with ownership, management or the lowliest feature in the enterprise.

EQUALITY BEFORE THE LAW

Some portions of the world are a little disturbed just now over the future of democracies. The dictatorships set up in constituent parts of the German Empire, in Italy and in Spain, have caused a great deal of serious reflection. On close analysis, however, it appears that the temporary success of this arbitrary method is caused by misuses of democracy; its success does not in the slightest degree indicate the political ideals of democracy are visionary or unsound.

There is one thing of which we can be very sure: The foundations of democracy are sound and unassailable, so long as equality before the law is conserved as its outstanding ideal. Nothing frets the people more nor creates a keener feeling of dissatisfaction than the belief that the law is unequally applied, the belief that the judiciary may be fairly charged with any kind of favoritism. There may be reasons at times for seeming inequalities in the application of the law, but even these instances are dangerous. No class more than the judiciary should abstain from all appearances of evil.

We are led to these reflections by two recent incidents in the same court: For a theft amounting to but a few pennies, a culprit was severely lectured and received a prison sentence. Another culprit involved in a commercial failure amounting to several millions, confessed to having participated in the making of a false statement on which large credits were obtained, and received a suspended sentence upon condition that he should live abroad for a term of years.

The judge imposing these two sentences can, no doubt, satisfy himself as to their justice; but he would find it very difficult to satisfy the average citizen. In the minds of those who have followed the two cases there is bound to persist an impression that an inequality in the administration of justice has been practiced. Through the hearts of many people there has run a current of strong protest and dissatisfaction.

I have had and have proclaimed a deep faith in the judicial system of our Nation. I believe our judicial system is the most essential feature of our federal and state constitutions. I am therefore jealous of the good name and high standing of our courts. I know of nothing that would line up the disaffected more readily than even the barest suspicion that the judiciary was showing favoritism of any kind or was guilty of the least inequality in applying the law.

We have a right to expect that the judiciary of the Nation shall regard all men alike whether of high or low degree; that punishment shall be meted out according to the offence and not according to the standing of the offender. Generous and wise discrimination must often be exercised by the judiciary, but let this discrimination be without favoritism: let there be no breath of suspicion against the judiciary; let the judiciary be in every respect just, as well as honest.

DANGERS OF AN EXTENSIVE BUREAUCRACY

Never perhaps in all our lives have there been so many reasons for pausing to take thought as in this

period through which we are passing. Mighty events have transpired within a brief span of years. Should we neglect the lessons that may be learned from them, we shall have neglected some of our best opportunities and marked ourselves as unfit for progress.

In another paragraph of the Credoscope, I have mentioned one of the dangers to democracy. Here I shall touch upon another:

The Romanoffs of Russia would not learn their lesson. The significance of the revolution of 1904 made some impression, but Nicholas settled himself back into a false security, and the bureaucracy of Russia played fast and loose with the resources and morals of that great Nation. The penalty was paid in a complete overturning of the old order, and in the bringing about of a state of chaos that will require years to resolve itself into order.

The bureaucracy of the German Empire was one of the chief reasons of the Empire's defeat.

These facts are worth noting because in our own country there has been a rapid development of bureaus and commissions and of the old departments of administration. We have before us the danger of the development of a bureaucracy that loses sight of its responsibilities to the public as it endeavors to gather power within itself and gives much thought to its own perpetuity.

Yet I am not at all fearful, because within the body of the Nation there is always a strong basis of good sense that demands proper things of our Government. But despite this feeling of safety, we should regard with extreme concern the large number of people engaged in the Government service.

Among the Federal departments we find the paradox of appeals for thrift issued from one of the bureaus, and certain practices in another bureau of the same department that lead not only to inconvenience but to unnecessary costs.

The Bureau of Internal Revenue should be human in all of its affairs, or else the people will become impatient and resent its inquisitorial and arbitrary methods. The Government is the people; the employees of the Government therefore represent the people. The Government should always be courteous and considerate in treating with the people.

There is wide-spread dissatisfaction,—and this should be noted by our administrators,—over the many claims made for extra taxes and the necessity almost in every case of filing briefs prepared by attorneys at high costs. The costs of Government have mounted high in recent years: the burden of the taxpayer should not be made heavier than he ought to bear. At least, he should not be made to feel that the bureau entrusted with the collection of taxes is always against him, and that he is in for a stiff fight every time a question arises.

Humanities must be practiced in the departments of Government, be the departments large or small, else the bureaucracy will grow burdensome, the people will chafe, and unpleasant results will follow. The administrators of Government should seek to feel the public pulse and insist that the departments should be run with the same courtesy and consideration that is necessary for the success of a private enterprise.

Incriminating Testimony

United States Supreme Court to Decide Bankrupt's Privilege

By W. Randolph Montgomery

Counsel, National Association of Credit Men

IN the November issue of the CREDIT MONTHLY, mention was made of the action taken by the National Association of Credit Men in intervening in the Arndstein bankruptcy as *amicus curiae* in the hope that the decision of the United States Supreme Court in this case (McCarthy vs. Arndstein 67 L Ed 598) might be reopened and reviewed.

The National Association of Credit Men was granted permission by the Supreme Court of the United States to file a brief as *amicus curiae* and contended therein that a bankrupt is not privileged under the provisions of the Fifth Amendment of the United States Constitution to refuse to answer questions with respect to the assets of the estate even though the answers to such questions may tend to show that a crime has been committed. The Association's brief was filed October 2 and since then the Supreme Court has granted the petition for rehearing and has set the matter down for argument during the week of November 19.

As counsel for the National Association of Credit Men, the writer has prepared a brief which will be filed on the argument and a decision on this most important point should be had by January 1. It is impossible to exaggerate the importance to the commercial world of a decision by the United States Supreme Court to the effect that bankrupts may not refuse to disclose the assets of their estates, for so long as witnesses in bankruptcy may refuse to answer questions in examinations under Section 21a or at first meetings of creditors under Section 7, just so long will the statute continue to be an engine of fraud and a weapon of defense to dishonest debtors.

Credit men who have participated in bankruptcy examinations are aware of the fact that in almost every case of any importance in the larger commercial centers, the bankrupt or his witnesses sooner or later brings the examination to a standstill by refusing to answer questions with respect to assets which the creditors believe to have been withheld or concealed. The lower Federal courts, ever since the decision of the United States Supreme Court in the leading case of *Counselman vs. Hitchcock* 142 U. S. 547, have almost without exception held that the Fifth Amendment to the Constitution is broad enough to cover witnesses in bankruptcy proceedings.

A notable exception to the decisions of the lower Federal Courts, however, is to be found in the decision in *Re-Franklin Syndicate* 114 Fed. 205, decided by District Judge Edward B. Thomas in the United States District Court for the Eastern District of New York. Judge Thomas, who has since retired from the bench after serving on the Appellate Division of the Supreme Court of the State of New York, Second Department, enjoys an enviable rep-

utation as a jurist, and it is believed that the rule laid down in the Franklin Syndicate case is a correct statement of the law on this point. Judge Thomas' decision was in part as follows:

"It is considered that the bankrupt should answer to this court what property he has, what disposition he has made of any property which the court is entitled to administer, to what persons he has paid money or delivered property where such persons are, and questions of like nature.....While it is the purpose of the court to be entirely fair toward persons who are subject to criminal prosecution, the purposes of the bankruptcy act may not be defeated by the refusal to give evidence concerning his transactions, whereby property belonging to his estate may escape distribution to his creditors, and no refinement of argument will be permitted to save the bankrupt from giving evidence that shall tend to that result."

Announcement will be made in the CREDIT MONTHLY of the decision of the Supreme Court in the Arndstein case as soon as the decision is available.

Christmas Credit

(Continued from page 9)

here he was sleeping in the home of John Montgomery. That night the problem of credit took on a new aspect. He saw the great human element as he had never seen it before. For a moment, he felt very lonely, a mere atom of the world's great relationship, where man meets man and friend meets friend in the lone struggle for existence. These thoughts were disturbing, perplexing to him so accustomed to a dollar-and-cents character analysis. Finally he fell asleep.

He awoke in the morning earlier than he had expected. Through the open register came the savory smell of coffee; rich hot coffee cooking briskly on the back of stove mingling its aroma with the sizzling of bacon.

He dressed hurriedly, eager to breakfast with these old folks. With the little courtesies that graced a former generation, his hosts did not ask his name or his business. They just chatted in a kind, friendly way as the three of them sat around the old table. Seldom had Dick enjoyed a meal as he enjoyed that one. When it was over, he paid his bill, thanked his host and hostess and slipped down to the hotel.

At ten o'clock Dick appeared at the store of John Montgomery. It was quite as he had expected to find it, a general store in a small town. Everything was more or less hit or miss and yet, quite in order, the smug orderliness of a previous business period.

John Montgomery looked up with surprise to see his guest of the night before, and said: "Well, I didn't know you were a traveling salesman."

"I'm not," said Dick. "My name is Richard Houghton. I'm the junior partner of MacMahon & Houghton."

A look of consternation spread over the countenance of John Montgomery. "I see" he said in a low voice.

"Mr. Montgomery," Dick continued, "can you go back there to your desk with me for a few minutes, and have a little confidential chat?"

Reluctantly the old man turned from his customers and called out, "Mother, you look after the trade for a little while. I've got to go over some things with this gentleman."

When they were seated at the desk, Dick began in a careful, genial manner to ask questions. "Mr. Montgomery," he said, "tell me about this town. Is it growing?"

"Well, yes," said Old John "I reckon I can say it is. We got quite a large cannery factory here now. Been here about two years and from what I have heard tell, they are employing some five hundred hands. A couple of other factories here are doing mighty well. Fact is things are picking up pretty good in Wheaton. Real estate is out of sight, and for most folks business is pretty brisk."

"Good," said Dick thoughtfully. "From your letters I have got a general idea that you are in need of Christmas merchandise and as I look around the store, it does seem that way. Most places in town are pretty well decorated but somehow this store does not have much of a Christmas air about it."

"Very true, Mr. Houghton, but you can't fix up without the fixin's. The kids will be disappointed this Christmas unless you ship me those goods. It's pretty late now, too."

"The kids—why?"

"This has always been the 'Santa Claus Store.' It's a tradition. I get big Christmas trade here."

"Have you a copy of your order handy?" Dick enquired as the old man finished and slumped back in his chair, depressed, downcast, his eyes watching the rhythmical motion of his rugged boot toe nervously swinging from right to left.

"Why yes." Fumbling for a moment among the pigeon-holes of his desk, he brought it out.

Dick took it eagerly. He was excited, exultant; like a six-year old boy journeying toward a new, unknown adventure. He glanced through it quickly. "There's just one thing wrong about this, Mr. Montgomery," he said.

"And what?" Old John was still depressed.

"There's not enough of it," Dick answered with just a trace of a smile.

"Yes," John repeated it slowly "yes, but I daren't ask for more—considering that bill I owe you folks."

"Mr. Montgomery," Dick leaned forward eagerly,—"Listen, I'll double th's on one condition."

"You'll what?" the old man exclaimed. Then, with a tone of anxiety. "No mortgages or anything like that!"

"No. It's always been my ambition to rearrange a country store, to try out some of my merchandising ideas;

(Continued on page 32)

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The Moral Risk in Business

(Continued from page 7)

man is a good popular golfer, it is a strong point in his Moral Risk. But the man must not subscribe to the saying, "If business interferes with golf, cut out the business."

I cannot speak so highly of African Golf. Not being able to "read 'em without weeping," I catalogue that game as a count against the Moral Risk.

In Rochester we have a slogan "Investigate before you Invest," and I am inclined to urge that credit men investigate the Moral Risk when it is held up to them as a credit factor. Sometimes it is difficult to appraise the risk and yet I believe we are all prone to act on our impressions. We sometimes have a feeling of doubt about an account though at every turn we are met by words commendatory of the risk.

I have in mind an account in which I could not substantiate my "hunch" that it was not a good risk. One day while talking to the man, our conversation drifted to the income tax. He asked me many questions about tax procedure and especially inventories. Finally I had the fact that he had destroyed his inventory sheets after making out a new set with altered lot numbers and incorrect prices. "If they check me up I will be ready for them," he declared. It was several years later that he failed. It then all came out how far from square he had been.

We have all been misled by the man who paid his bills for a period of years until he had established a good reputation for paying—then suddenly overbought and absconded. I believe a full and careful investigation of such cases would show something in the past record that should have been a danger signal.

In times of stress all have accounts that become slow—which, under changed conditions have become insolvent. But did we let them fail? No, we studied the past record carefully, and gave careful consideration to the future prospects. If the glass was clear, we stuck, determined to do our part to put the account on its feet. But if the glass was not clear, if there were doubts of success or fear that the man did not have the stamina to stand the long grind, we collected such portion of the account as we could as quietly as we could.

In the June, 1922, issue of the CREDIT MONTHLY, Eugene S. Elkus, now a first vice-president of the National Association of Credit Men said:

"Without full confidence in a merchant's integrity and high sense of honor, the account must always be handled with great caution. Where the moral risk is poor, the credit limit should be revised from time to time based on supplementary financial statements. In the absence of these, new trade information should be gathered to be considered in conjunction with other information on hand. If one is not careful in the checking up of an old account of this character each time before approving additional orders of any moment, one will find that the account will owe more than it ever has when the 'blow-up' takes place. When an honorable concern is embarrassed it will try to keep going; and if that is impossible, it will then aid creditors to liquidate the business to best advantage; whereas the merchant lacking in the proper sense of honor will try to turn the prospective failure into a quick method of 'getting his' first.'"

To sum up, the Moral Risk is exemplified in the man who stands four square with his fellow man, who meets his obligations when due, to whom a

contract is a contract, who does not stoop to petty devices to gain a few paltry dollars, whose word is his bond, who has the respect of his fellow man and the confidence of the community in which he lives.

Credit Men Can Help Disabled Veterans

By W. F. Lent

District Manager, U. S. Veterans Bureau, New York

THE co-operation of the National Association of Credit Men with the United States Veterans Bureau is another step in the right direction. It is impossible for me to stress too strongly the pleasure it gives me, and the effect it has on my co-workers, to know that the various associations of business men, as well as the individual houses, are showing such an interest in assisting the disabled ex-service men to become independent, self-supporting individuals.

The majority of our public does not realize the problems connected with this work, and it is only through mediums such as this that we are able to bring our difficulties to the attention of many who can be of assistance to us.

The Veterans Bureau is at present spending in the neighborhood of \$60,000,000 annually in District No. 2, comprising New York, New Jersey and Connecticut, in caring for those men who were disabled in active service in the Great War. A large proportion of this amount is used in training those whose disability prevents them from resuming their pre-war vocations. It is therefore obvious that if this phase of our work can be completed, and the men placed in satisfactory positions, the annual amount necessary for all activities of the Bureau can be materially reduced.

There are now in training in this district approximately 8,500 men, all of whom are learning some definite trade or profession, and must be placed in employment at the completion of the training. Over 300 lines of endeavor are represented by these trainees. About a thousand of these men are studying some branch of commercial work; some should be qualified to pursue credit and collection work. During the period of training each man receives an amount from the Government for his maintenance so that he is not a financial liability to the concern or individual training him.

HOW CREDIT MEN CAN HELP

Let me tell you how the Credit Men can be of assistance.

Locate openings in your organization where these men can be shown the practical application of their theoretical knowledge and where they will be employed when they are capable of following the vocation satisfactorily.

Notify us of any immediate vacancy you may have in any line whatsoever. We always have a few men whose training has been completed and who are anxious to secure employment.

The Pennsylvania Railroad Company recently changed its regulations so that any man who has been rehabilitated by the Veterans Bureau can be ac-

cepted for employment regardless of his disability, so long as the disability does not interfere with the performance of the duties of the position,—and providing, of course, there is a vacancy in that line. This is one of the most important steps so far taken by any large corporation in this country.

The Foreign Buyer's Viewpoint

(Continued from page 23)

the needs on both sides of the export credit fence.

From the seller's side some of the reasons for credit in foreign trade are:

(1) To meet the competition of other nations and his own countrymen on an equal basis when seeking to do business in foreign parts.

(2) To be able to dispose of a greater quantity of goods than he could hope to dispose of on a cash basis.

(3) By securing and employing larger working capital through the privilege of discounting foreign drafts at his bank.

(4) By facilitating the increase in foreign sales, making available that balance wheel principle which comes into play by reason of the fact that because of demand from abroad, the factory is able to keep running more regularly than is often possible when the domestic seasonal demands.

(5) The man who will open his eyes to the inexorable fact that we cannot in this country get along without foreign trade and an increasing amount of it, must come to realize that just as inexorable is the need for a proper estimation of normal credits in foreign countries.

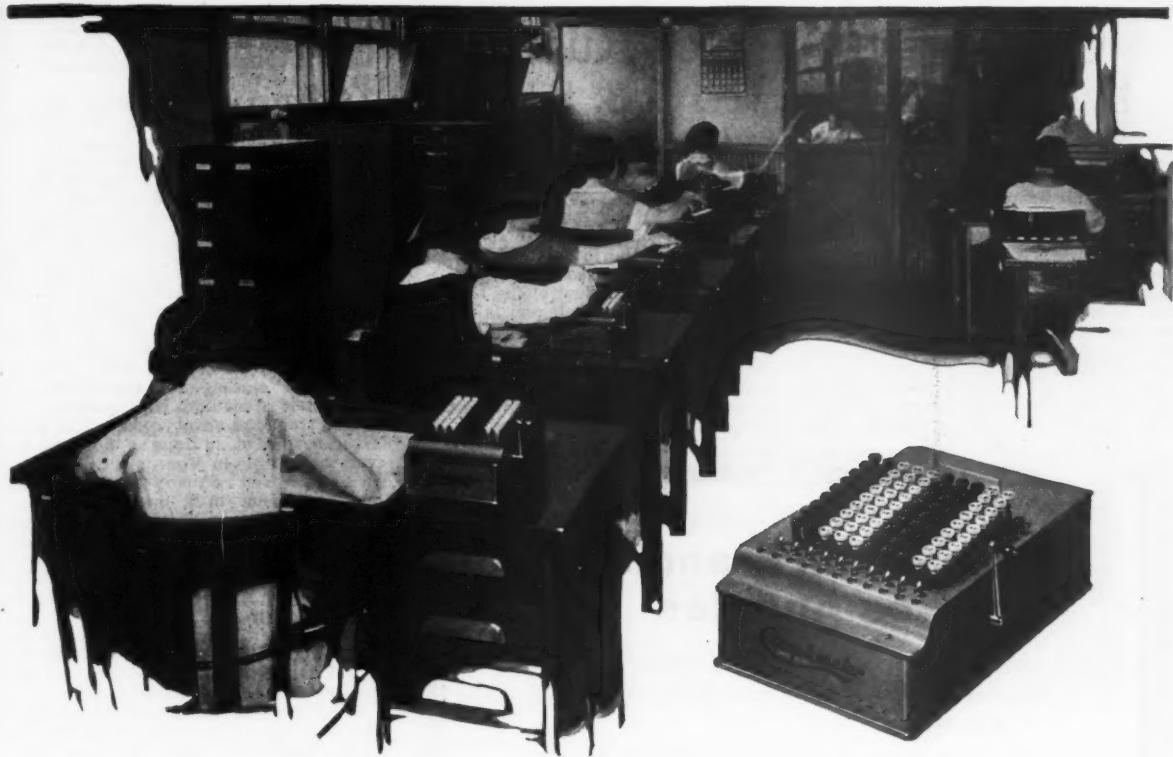
From the standpoint of the buyer we find these obvious reasons:

(1) To keep in liquid form and working in his business, funds which otherwise would be tied up for a period of months, before merchandise is received and available for turning into cash.

(2) To avoid an increase in his cost of doing business, and therefore, the increase in his selling prices, which would be necessary if he had to submit to high local interest charges in order to obtain facilities for making cash purchases.

(3) Permitting the transaction of a larger business in proportion to his capital than otherwise would be possible.

In conclusion, let me say that one thing accomplished by intelligent granting of credit to foreign merchants is the creating of a link between the buyer and the seller which makes them partners and co-partners in a business of mutual satisfaction and profit, based on a foundation of mutual confidence and appreciation.



25% more work with greater accuracy

Let Mr. A. J. Wilson, Works Accountant, Warner Gear Company, manufacturers of transmissions, clutches, etc., for automotive vehicles, tell you how they did it:

"Six years ago we bought our first Comptometers. Today, after six years of very hard service and with no other attention than oiling and cleaning, they are apparently in as good condition as when first purchased.

"In the meantime, we have experimented with three other makes of calculating machines. We thought the Comptometer too high priced and wished to effect, what at the time we thought to be, an economy.

"Later we found it was a loss, not an economy. Soon we noticed that each clerk, whether skilled or a novice in its use, would always try to get hold of a Comptometer. They side-stepped other machines wherever possible because of the confidence they had in results obtained with a Com-

tometer, due to the full key depression insured by the key-lock principle, the clean cut stroke and other general excellencies of the machine.

"We found that with non-lock machines, clerks were going over the work two or three times. We figured conservatively two clerks out of ten would be saved by use of the Controlled-key on the Comptometer.

"With this, and the knowledge of its long life and freedom from trouble in mind, we finally adopted the Comptometer as our standard computing equipment. We figured the Comptometer would more than pay its additional cost the first year.

"The results have justified our judgment. We find our force has developed wonderful efficiency with these machines in the past six months and is turning out at least 25% more work with greater accuracy."

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Optimistic View of Russia

By an Expert Observer, E. B. Filsinger

By R. H. Johns

RETURNING a few weeks ago from a tour of observation in England, France, Germany and Russia, Ernest B. Filsinger, foreign sales manager of Lawrence & Co., New York and Boston, expressed to a representative of the CREDIT MONTHLY, the conviction that Russia's worst difficulties are over. He painted a far more optimistic picture of Russia than those to which we have become accustomed.

Mr. Filsinger is a linguist and a trained observer and reporter of business conditions in foreign lands. One

of his books "Exporting to Latin America," (Appleton, 1916), is a standard work. His recent tour of Europe had no political or journalistic object, but was solely in the interest of Lawrence & Co., and of American trade.

The fundamental fact of the situation, according to Mr. Filsinger, is that although the Communistic form of Government is retained, the "New Economic Policy" marks in many respects a distinct return to Capitalism. Although the Communists retain control, foreign capital is being invited by them

to invest in Russia. Many factories which were taken over by the Government in 1918 are again being operated by private individuals.

"In Russia there is a great effort in construction and repairs. This is particularly true of Moscow," said Mr. Filsinger. "Old buildings are being refashioned, streets are being improved, and much painting is being done. This is also true of Petrograd, but to a lesser degree. The Nevsky Prospect, which was torn up by the poor people during the war and the wood blocks burned for fuel, is now repaired. It was always a wonderful thoroughfare and is gradually assuming its normal aspect. The people on the whole are well dressed—particularly the women. Prices of clothes are very high. A man's suit of medium good quality costs about \$100, and an overcoat about \$125. Overcrowded conditions of housing are very noticeable in Moscow. In that city in many cases as many as sixteen people are living in a one family floor. The shops are up-to-date and are very much like those of New York. Many of them are attractive and the window display is modern and beautiful. This may also be said of Petrograd, but to a lesser degree.

"The general conditions seem to be returning to normal. The theatrical world is active and the theatres are well attended. Taxes are heavy.

"The peasant is giving more attention to crops. Some time ago when the government took away the crops from the peasant he stopped his active sowing and raised only bare necessities for himself. Now that the government has permitted him a free market and the right to be sole master of the crop he raises, the activity of farming has greatly increased. The government retains its title to the land, but in effect it is at the peasant's disposal, virtually in perpetuity.

GOLD RESERVES

"In the State Bank of Moscow there are large stores of gold. To many foreigners the Russians show these stores in the boxes where they are kept. I indicated several boxes and these were opened for me. They were full of gold bars. The Russians also have a considerable store of gold coins of various foreign countries. These are kept in sealed canvas bags, the latter in turn being packed in wooden boxes. There are also sizeable amounts of money of foreign countries. The total value of this treasure when I was there was about \$30,000,000; today it is about \$60,000,000. It is intended to back up their currency. The new Russian currency unit is called a Chervonet the equivalent of ten gold rubles. It has about the value of the British pound at its normal value of \$4.85. It backs up the paper issues to the extent of twenty-five per cent. However, the Soviet paper ruble is still needed in business although doomed soon to be worthless. All classes of people follow daily the published changes in value of the ruble. It was recently valued at nine hundred millions to the dollar.

"The Russian policy aims to keep imports ten per cent. below exports. Automobiles are barred as a luxury. Farm tractors and machinery are a necessity and are being imported. The income tax is twenty per cent. maximum and five per cent. minimum. Workmen in many cases, however, are not satisfied

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(Continued on page 37)

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(At left) International Master Recorder on which Recording Door Lock makes its printed record.
(Above) International Recording Door Lock.

International
Watchman's
Station

Christmas Credit

(Continued from page 26)

to be, as it were, your salesmanager for a couple of weeks. Give me full liberty here, and I'll double this order and with your help put on a Christmas sale that will knock your eye out!"

"Do you mean that?" exclaimed old John jumping out of his chair in excitement.

"I certainly do!"

When Dick completed his casual inventory and the order he was working on it was well past noon. Lunch he had forgotten even though urged by the kindly Mrs. Montgomery. Finally, quite distressed, she set before him a cup of coffee and some sandwiches.

"Go away, mother," he said good naturedly. "This is my busy day." And she retreated, shaking her white head.

After an irritating thirty minutes, central put through his call to his own office.

"Hello, Jim! Dick talking. Get your pad—take this order. Wait! Put Nellie on—take it short hand." And rapidly he repeated what had been written. "Yes, that's right—Jim—sure—credit's O. K. Listen, snow's melted, put that shipment on the truck and send it tomorrow—sure! Yes, I know—that's all right. Wait a minute get young Sam Whitney on the phone. Yes, he's at Brighton. Tell him to hop on the train and report in tonight. Have him check this stuff and ride up on the truck. Oh, quit worrying. And say, I'll be here for a couple of days. Yah! Call me if anything important. Bye-bye."

When Sam Whitney broke into the Montgomery store the following afternoon, he was all smiles.

"Gee!" he exclaimed, "that was a cold

ride! Gosh! Mr. Houghton, the old man thinks you're nutty, and pardon me, so do I to look at you."

Dick laughed. He was coatless and vestless, his sleeves were rolled up to the elbow; his face was streaked with dust. He was dirty but jubilant.

"Now listen," he said. In a few brief sentences he took Sam into his confidence. "I've hired the two prettiest girls in town. Got costumes—everything. This store is going to be a regular Lapland." And he went on showing where and how he was arranging things where the toys on the truck would go. "The electrical appliances here—the sleds here—and here we'll put—"

"Great—fine!" Sam kept interrupting.

"Now, tomorrow's Sunday. This store closes tonight at six; Saturday night, or no Saturday night. Down come the curtains—there—those big show window curtains. I've got a couple of mammoth signs to put in front of them.

KEEP OUT OF THIS STORE!
—THIS MEANS YOU—

And look, these handbills go into every home—tonight:

'Mr. Montgomery has been arrested and his store closed. If you want the surprise of your life come early Monday morning.'

"How's that?"

"Gee, Mr. Houghton—that's a knockout!"

"It will be when you hear the rest of it. We'll work like a couple of beavers all Saturday evening and Sunday. Monday starts the big sale. Christmas trees everywhere—all festive—see? I stay through Tuesday and then it's up to you. You get regular commission on everything sold that came up on the truck or comes up subsequently. It will be just sixteen days before Christmas, and you'll have to go some. How about it? Can you play a tune on that cash register until it dies of exhaustion!"

"Can I? I'll say I can!"

On Wednesday morning, Dick found the car repaired and he drove home; dog tired. As he said afterwards, recalling the opening day of the Christmas sale, "If the people in that town hadn't been honest—they could have walked off with the store. Gosh! it was a nightmare, the way they jammed that place. Old Pop Montgomery was cock-eyed over it, and mother—well, she just cried."

Every few days Jim MacMahon would call out, "Dick! Wheaton operator. Sam's on the line again!" And Dick would get it something like this:

"Hello, Mr. Houghton—Sam. Yeah—great! We did better'n six hundred yesterday. Listen, send trolley express another gross—"And so it went.

As the minutes sped into hours and the hours into days, Sam felt more and more enthusiasm and appreciation of that complete satisfaction in a work so appealing that it became a very part of his life; a form of recreation rather than the deadly routine of a day's work.

"The small town storekeeper is just an order taker," he had heard said. But he never believed that, nor now found it to be true. There were orders to take, of course; little trivial orders covering daily needs. But he made them opening wedges for final sales.

One could not help being enthusiastic.

Common Stock and Safety

111

FINANCIAL advisers generally recommend American Telephone & Telegraph stock, with its unusually high yield, as a safe investment.

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BELL TELEPHONE
SECURITIES CO. Inc.

D.F. Houston, President
195 Broadway NEW YORK

"The People's Messenger"



tic, for Dick's unique advertising brought back the old timers who, finding the store well stocked again, began to trade there as before. There was a neighborliness about John Montgomery's place which at times gave it the atmosphere of a social gathering. Sam recognized this from the very first, but more especially when it included such an incident as the time Mrs. Moore came in with little Mary to look over the gifts.

"Well, well, Betty Moore!" said old John—"and little Mary! Betty, how well I remember when you were just that size—just such a wee little mite. I used to kiss you then," he added with the shadow of old age hidden by a smile of youth. "Member that Christmas," he continued, "I sold your Pop the biggest doll and doll buggy in all of Wheaton?"

And so it would go. One after another he would know them, their parents, and grandparents and back again even to the younger generation, for when vacation began the youngsters home from school and college would troop in to see "Uncle John."

Then came Alice. And Sam lost perspective, lost everything except the power to sit and gaze at her with a look of rapt adoration until customers grew fretful and annoyed at his listless absent mindedness.

He found her there behind the counter one morning just a week before Christmas. She was home from college and at the store to help with the final rush. And when he was introduced, there was nothing more he wanted to know about her. To him she was instantly all of history, all of life, all that he ever wanted to know or have in youth and womanhood.

Slight, girlish figure; small but perfect features, eyes of the bluest; delicate rose-tint on the slightly tanned cheeks; full, smiling mouth—all in the light and glory of youth; such was Sam's picture, and it turned his head.

But he was not alone in this for she had a clear, ringing voice, a dancing step, and better than all, a heart full of love for every living creature; and so everybody loved her.

It was three weeks after New Year's when Dick called Sam into his office. "Sam," he said, "how long have you been on the road for us anyway?"

"Why, about three years next month, Mr. Houghton," Sam answered.

"Good, I think we know each other well enough now for me to ask you a few personal questions, if you don't mind?"

"Shoot!"

"Sam, how much money have you been able to save?" and Dick leaned forward taking up his pencil and a pad as though he was going to do some figuring.

Sam looked puzzled for a minute. Then smiled his broad grin as he retorted, "Well, Mr. Houghton, as long as I'm sure you're not going to sell me any oil stock, I guess I can confide in you and say that I put away about five thousand dollars. Then there's two thousand dollars more coming to me—just as soon as the lawyers get Aunt Jane's estate fixed up. That is seven thousand the way I figure it."

"Good," said Dick thoughtfully. And he put the figures down on a pad. "Now, how much life insurance do you carry?"

"Well, I kept the government insurance and recently converted it. That

is ten thousand dollars, twenty year endowment."

"Fine! You can borrow two thousand and on that all right—the store will be worth a mortgage of another two thousand, easily—" Again he wrote on the pad. "Old Pop I am sure will gladly take your five-year note for the other thousand—" He was still writing down figures. Speaking as though to himself he said: "Then we can give you an open credit of three thousand dollars. That will put everything in splendid shape."

Sam looked at him incredulously and finally blurted out, "Well, what in thunder are you getting at any way!"

Dick laid down the pad and pencil, leaned over confidentially and, tapping his finger tips on the desk, began.

"Sam, you've been on the road with us for three years and you have made good. Now if I remember correctly, a few months ago I heard you say something to the effect that you're getting darned tired parking around and wished you could find a small store in a peppy little town where it would be possible to set up in business for yourself. Well, what's the matter with Wheaton? Look here, I got it all figured out. John Montgomery's place is for sale. Old Pop John is getting along in years and to where he cannot run it on a successful basis any more. Now, here are the figures—" And Dick laid a sheet on the desk in front of Sam. "I have checked these over carefully. The store, fixtures and property are listed at eight thousand. As a going business it is worth a good deal more than that. Eight thousand is very conservative. The stock which is pretty low at the present time on account of the way you busted things up during the Christmas rush is listed at six thousand dollars, and if you look over this inventory, I think you will agree that that is conservative. Old John has put down one thousand dollars for good will and I don't think you can blame him. Now, that's fifteen thousand dollars. You can buy it for twelve thousand."

"Here," he continued, pointing to the pad on which he had been figuring, "is the way you can do it: seven thousand cash, borrow two thousand on insur-

ance, mortgage another two thousand and give John a five-year note for the other one thousand. Our company will start you off with three thousand dollars credit. And I'll personally lend you a thousand for ready cash. The business has averaged in sales between thirty and forty thousand a year. Put behind it some of that pep of yours, modern merchandising ideas, and quicker turnover. Then, considering the growth of the town, you can easily bring the business up to fifty or sixty thousand a year. There's nice profit in that, Sam."

"Montgomery will take the accounts receivable and bills payable. Your books start clean. Also he would like to maintain his little home above the store and will pay you rent. Some day you can rip out the upstairs and make the store a double decker. Then, too, Pop should be glad to work for you as clerk. With what money he gets out of the store and what you can afford to pay him, he'll have enough to live on very comfortably the rest of his life. Well, Sam, what do you think about it?"

"Think! Gee! I think it's wonderful! But—"

"No buts, Sam," said Dick quickly. "It's a great proposition and just the thing for one of your temperament. Old John doesn't know why I got these figures. It's going to be a surprise. Of course, some of the dope about his clerking for you and living upstairs is my own idea of what he would undoubtedly want to do; and we'll fix that with him as soon as we can get together."

"But—"

"Now listen, cut out those buts! If one thousand isn't quite enough, perhaps, I can lend you a little more."

"But Mr. Houghton—thanks!" Sam finally blurted out. "It's great of you to do this, but—"

"O! never mind the thank you speech!" Dick interrupted hurriedly.

"But Mr. Houghton," Dick almost yelled. "Gee! Let a fellow finish, will you? I don't have to buy it!"

"You don't what?" Dick was growing irritated.

"No, sir. I'll tell you. When you hired the two prettiest girls in town to

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Christmas Credit

(Continued from previous page)
clerk over Christmas, you missed one, all right. But that wasn't your fault." Dick was smiling a broad quizzical smile. "She was at college. And O, say, talk about your—well, never mind. If I start raving about Alice Montgomery—"

"Yes, the old man's granddaughter. She's an orphan. But never mind that. When the poet starts to writing about June roses next spring, we're going to be married. And the old man's made me a proposition to come in and run the shanty. Besides, he's going to retire as

soon as I get the swing of things. And then we're to have it. How's that?"

Sam was radiant; radiant with the strength of youth which comes to one when he has found the right place for the work of his hand and the work of his brain—and all partnership with love.

And then he added with the broadest smile he ever smiled—

"Of course, Mr. Houghton, if you should offer me that three thousand open account credit for a wedding present,—well—I guess Old Pop, Alice and I would say, 'yes,' right quick. Wouldn't we, Mr. Houghton?"

The Rubber Industry

(Continued from page 11)

1917. The following table explains this statement:

	Dec. 31, 1916
Worth	\$293,415,000
Merchandise	119,149,000
Sales of '17	513,869,000
	Dec. 31, 1919
Worth	\$522,073,000
Merchandise	244,825,000
Sales of '20	758,206,000

This table is based on the assumption that the business of the year was conducted with the investment at the beginning of the year, which is not altogether true because no weight is attached to capital contributions or profit made during the year. Further, one year is, of course, not entirely comparable with another. Labor may reasonably have been less efficient; it may have been necessary to carry larger stocks of merchandise; and other difficulties may have been encountered in the later year. Nevertheless, the investment at the end of 1919 without further enlargement would have been adequate for a volume of business in excess of the largest year the industry has had. Reference will be made later to the expansion in plant facilities during 1920.

Just prior to the middle of 1920 the slump in the rubber business began to make itself felt and by November 1, the Akron factories were working at 25 per cent. capacity.



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Nothing less than phenomenal business and continued high material prices would have prevented the slump during 1920 and 1921. The enormous drop in material prices was largely due, however, to over-production of rubber by the plantations. With this the manufacturer cannot be charged. At the close of this year the increased output of the rubber plantations together with 55,000 tons of the 1918 production kept back by the shortage in shipping broke the price. It must be kept in mind, however, that it takes from six to ten years to produce a crop of rubber and that the plantations were working on that basis.

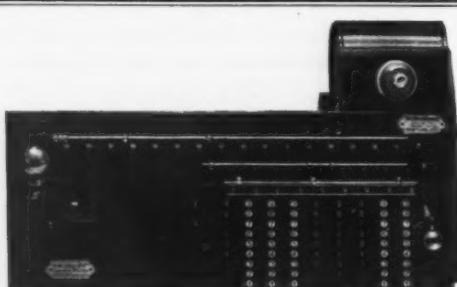
As an indication of the manner in which rubber prices varied from the average commodity prices during the seven year period ending 1920, the following table is given:

1913 Av. of all commodities	100%
1920 Av. of all commodities	242%
1913 Crude Rubber (Av.)	100%
1920 Crude Rubber (Av.)	41%

This does not show the violence of the fluctuation of the rubber prices during the years 1919 and 1920. Further, there was a continued falling in the price during the year 1921.

It was considered necessary for the larger rubber companies to have six months supply of rubber contracted for. As this was, naturally, contracted for on the basis of estimated requirements, the slump in demand was a very serious matter. As is often the case when prices are rising, the dealers were generally over-stocked; this further reduced the potential market.

Although the fluctuation in price was not as great in the case of fabric as with rubber, this was a more serious matter to the rubber companies because



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of the larger amount of fabric consumed and also because of the fact that many millions of dollars were lost in commitments to purchase fabric.

At the outset of this study it was remarked that the tire development was almost parallel to that of the automobile industry. A very substantial part of the tire production is for automobile manufacturers. During the period of deflation this demand for tires was almost entirely cut off, and, although the tire manufacturers had firm contracts with automobile manufacturers, many millions of dollars of tires contracted for were not delivered nor were the tire manufacturers reimbursed for the losses which they necessarily suffered in accepting the fabric and rubber which they agreed to purchase.

Let us see what changes this year made in the statements of our representatives of the industry:

- (1) Dividends exceeded those of 1919 by \$12,000,000 and amounted to almost twice earnings. Naturally, these dividends were paid in quarters and were on the whole paid from profits believed to have been earned at the time of payment, nevertheless, in the light of future developments these payments made serious inroads upon the working capital.
- (2) Non-Current Assets were increased \$120,000,000 with an increase in funded debt of \$47,000,000 and an increase in Capital of \$37,000,000. This increase in Non-Current Assets, therefore, drew on the working capital to the extent of \$36,000,000.
- (3) Merchandise was increased from \$245,000,000 to \$328,000,000, an increase of \$83,000,000.

It appears, therefore, both from the standpoint of Inventory and factory capacity, those of this industry whose statements were studied were prepared for business of well up to \$1,000,000,000 in 1921.

Regarding the Merchandise inventory, it must have been largely material. The stock of tires in the United States at that time is said to have been 5,508,000, which does not appear excessive as compared with the annual demand or production.

The following quotation is from a report published early in 1920. This report was from a source which was no doubt considered reliable at the time: "It has been calculated that about 1,600,000 pleasure autos and between 375,000 and 450,000 trucks will be produced and placed in service in 1920. This will mean an annual requirement of 57,000,000 tires, whereas the present output of the United States is only 45,600,000." It is also stated that the peak demand for tires in the United States will be 80,000,000 per year for pleasure cars and motor trucks. As against this estimate the production in 1922 is believed to have been approximately 38,000,000 tires, 48,000,000 tubes and 850,000 solid tires. This is based upon figures compiled from those companies which report their output and which are estimated to manufacture from 75 to 80 per cent. of the country's production.

It seems likely that this over-estimate of the demand for tires was due largely to the failure to take into consideration the increased mileage which the tires would produce, which automatically lessened the demand for new tires. Chemists and engineers have been

(Continued on page 36)

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The Rubber Industry
(Continued from previous page)
working diligently all these years to perfect tires which would give additional mileage and the result of their efforts, particularly in the development of the cord tire have done much to cut down the demand.

1921

As previously mentioned, Sales for

this year showed a very decided slump, falling to \$509,042,000, or a little less than for 1917. There was a loss of \$44,867,000, which was 8.8 per cent. or 9.0 per cent on Worth.

This very substantial loss was taken largely through liquidation of Inventory at a loss and also because the volume of business would not carry the overhead. As heretofore indicated very large losses on commitments, particularly for fabric, was taken by the rubber companies during 1921.

It is worth while at this point to consider the enormous surplus charges which were made in 1921 and 1922. On account of Inventory shrinkage, loss on commitments, and other unusual items, only part of the actual loss is shown in the Income Account.

On account of the refinancing which was necessary during 1921 and on account of the large amount of Current Liabilities at the end of 1920, there was, naturally an improvement in the Current Ratio from 2.11 : 1 to 3.26 : 1 and a slight improvement in Worth to Debt.

Due to the shrinkage in value of material and also the liquidation; the ratios of Merchandise to Receivables and Merchandise to Sales were quite a little better.

During this year plant increase totalled \$14,500,000. Bonds of \$72,000,000 were issued so that current debt was cut down to a very reasonable figure. Capital contributions were smaller than for any preceding year, being a little less than \$4,000,000.

Sales to Worth ratio was 1.10 : 1 and the ratio of Sales to Non-Current Assets was 1.23 : 1 at the end of this year. These figures have a direct bearing on the possibility of profit. It seems quite unlikely that a good profit could be generally realized in the industry on capital activity such as thus evidenced, especially when sales were considerably less than capacity.

1922

Statements at the end of this year showed quite an improvement. Sales were \$554,000,000, an increase of \$45,000,000 and produced a profit of \$28,

600,000, of which \$17,000,000 remained in the business.

Regardless of this profit remaining in the business the ratio of Current Assets to Current Liabilities was a little lower than for the preceding year. This was caused by an increase in other assets and also the large charges to surplus.

At the close of 1922 Merchandise was more in line with Sales, Receivables were a little more liquid, and Worth to Debt was a little better.

A slightly larger sales value was responsible for the improvement in the Non-Current Assets.

A combined statement at the end of 1922 showed a good current position, a fairly good Worth to Debt ratio and a satisfactory merchandise turn-over.

SUMMARY

Let us see what changes these six years have made in the combined statement of the companies we have studied, and summarize the operations for the period considered. We have approached this industry, of course, from the financial side. Conclusions to be drawn from the remarks concerning volume of business may be correct as far as the profitability of the business and the probable return are concerned, as it is on dollars of sales that profit must be made, particularly in such competitive business. In justice to the concerns whose figures we have used, however, it should be noted that a comparison of the output in number of tires would show a less violent fluctuation on account of the very great variation in price in the average tire during the period covered.

The net worth of our representatives of this industry is now \$468,803,000 as against \$293,415,000 at December 31, 1916, an increase of 60 per cent. Sales for the year 1922 were \$553,802,000 as compared with \$343,047,000 in 1916, an increase of 61 per cent. It appears from this that Sales have kept pace with Worth. While this is true, from the standpoint of the stockholder, there is another matter which has considerable bearing upon his investment. The total investment in Non-Current Assets is now \$426,000,000 as against \$199,000,000 at the end of 1916. This is an increase of 114 per cent. As a consequence of this increase in Non-Current Assets, Bonded Debt has increased from \$37,000,000 to \$182,000,000, an increase of 390 per cent. We might say, therefore, that from an increase in Sales of 60 per cent. realized on an increase in Non-Current Assets of 114 per cent., it is necessary to provide for bond interest and retirements of practically five times the amount at the end of 1916 before the stockholder can receive distribution of profits.

Sales to Non-Current Assets last year were 1:30 : 1 as against 1.73 : 1 in 1916. This points directly to the unused factory capacity. Reduction in tire prices has been great but this has been more than offset by new production methods. In order to maintain the former activity of Fixed Assets, the ratio of Sales to Non-Current Assets should have been sustained.

During these six years \$150,000,000 of new capital was paid in, and the worth increased practically \$26,000,000 through profit remaining in the business after dividends and surplus charges. Profit earned was \$194,000, 000 of which \$122,000,000 was paid out

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in Dividends. The net surplus charges were approximately \$46,500,000.

Regardless of the enormous losses of the deflation period, the companies whose statements we have studied showed a fair profit on the invested capital over the entire seven years. Dividends as compared with this profit were not excessive, being, aside from the two lean years, about 40 per cent. of the profits.

On the whole the position of the ten companies we have considered has been satisfactory and their growth steady and fairly conservative. The serious mistake was (a) in over-estimating the market, thereby leading to a loading up of inventory when material was high and (b) in permitting an undue plant expansion from which expansion the full benefit has not yet been reaped. A good authority states that there is capacity for production of 25 per cent. in excess of present (Spring 1923) output. As against the average demand the excess capacity is relatively greater.

It must be borne in mind that in this study we have used the leaders in the industry. Despite the unsatisfactory experience of these companies they have in the main come through the depression in good shape. This has not been the case, however, with many other concerns in this line. These years have been more difficult ones for the smaller rubber companies, as would be evident upon comparison of their statements with our combined statement. Of the eight hundred companies once producing tires, it is said that but one hundred and five are in business now.

From the increased demand particularly for tires in the first few months of 1923, it appears quite likely that sales for the year will be well up to the highest preceding year. Certain slowing up later in the year, however, is to be expected. Particularly if certain changes are made in the sales policies of the industry generally, the future appears to hold promise to those companies which are economically managed and turn out a serviceable product at a low price. The manufacturer who cannot turn out quality production on a quantity basis will have hard sledding. The condition of the industry as a whole was sound at the end of 1922 and the outlook was encouraging.

The future growth and progress of the Rubber Industry depend to a considerable extent upon the constantly widening scope of the uses for rubber. There are many fields yet untouched, to the study of which the scientists and chemists of the industry are devoting all their energies.

Optimistic View of Russia

(Continued from page 30)

as their wages—because of the prevailing high costs—have a purchasing value of only one-third to one-half of pre-war wages. There is strong pressure on the Government to reduce prices of manufactured goods.

CONCESSIONS TO FOREIGNERS

"The Germans are deeply interested in Russian activities and they are getting many concessions. France and England have also secured concessions. The Japanese are in Russia and they too are interested in the country's future development. Italy has representa-

tives in Russia. Although not many American are represented, there is an agency which handles the Ford tractor and Oliver plow.

"The Russian Government is engaged in an advertising campaign to educate the farmer and peasant to the value of modern methods in their work. Posters in colors show how to use tractors, how to irrigate land, etc. In some sections of Russia they secure very rapid mail and passenger service by the use of the airplane. The railway service is good and they have plenty of rolling stock to move the crops. There are a number of hotels in Moscow and Petrograd and the service is good. The rates are not low; neither are they exorbitant. Considerable gambling is going on; it is licensed by the Government for the purpose of obtaining taxation. Wine and liquors are sold in considerable quantities. Vodka is back again; however, it is of a lower alcohol content than before the War. Night life in the cities is active; cabarets open at midnight and there is dancing until early hours. The street car service is good and the churches are well attended.

"Trotsky and Lenin are well regarded by the people and are respected. The Russian peasants have awakened, and they are an immensely important factor in the economic life of the country. Eleven out of thirteen people in Russia are agrarians. No counter revolution is contemplated. The people do not want fighting because they appreciate the fact that this would put them back five or ten years.

"I believe that the United States should send a trade commissioner to Russia at the earliest possible moment."



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The Business Library

Why Every Business Should Have One

By W. F. H. Koelsch

President, New Netherland Bank, New York, N. Y.

THE modern commercial business needs a business library built on modern lines as much as an army needs an intelligence department. The libraries of some concerns consist of (a) the telephone book, (b) the volumes issued by Dun or Bradstreet, or one volume issued by one of these well-known publishers, (c) a list of the members of the National Association of Credit Men, and (d) an assortment of odd numbers of several trade papers running back six months or so. This equipment may suffice for a small concern or for one that is in a city where information is easy to gather from public libraries or from the one or two banks that are closely identified with the concern.

The commercial house, however, that is doing business on a national or perhaps international scale—and especially if it is in a more or less isolated community—simply cannot get on with so meager an "intelligence department." It must be nourished daily with facts and figures from a great variety of sources. This nourishment may be gathered and used by the various executives of the concern in a haphazard manner or, as is the case with the best

organized of the big companies, by a business library.

Admitting the necessity of a business library there are two absolute requisites, first, that the library be properly organized, manned and equipped, and second, equally important, that its information be distributed without delay to those who can make use of it.

BUILDING A BUSINESS LIBRARY

The problems of organizing a business library of course varies according to the size, product, and location of the concern. One of the first questions to decide is, which of the executives had best be entrusted with the duty of organizing, gathering and making effective use of the library.

In some well developed businesses the library is placed under the authority of such executives as the sales manager, the director of scientific research, the advertising manager, or the personnel manager. One good reason, however, for assigning this work to the credit manager is that if he is a full-grown credit executive he already has the nucleus of a business library within his department.

The CREDIT MONTHLY has often pointed out the extraordinary position

occupied by the head of the credit department of a concern. His work, if carried on in its fullness, dovetails with that of the other important departments in a way that gives him a chance to serve them all. When the credit executive has achieved this position of importance in his organization, he may readily be the logical man to set up and operate the business library.

Assuming that the company is producing and marketing a product such as a typewriter or a laundry machine, the financial executive may already have in connection with his work in the field of credits the following:

1. Books on credit, finance, and investments with files of the regular publications on conditions, etc., issued by the Department of Commerce, by the Federal Reserve Banks, by the larger commercial banks in various important centers, and by the mercantile agencies.

2. The standard books on mechanics and engineering.

3. Recently published mechanical and engineering books.

4. Books and government publications on raw materials such as copper, steel, cotton, etc.

5. Publications of statistical bureaus and such organizations as the National Industrial Conference Board; the National Bureau of Economic Research; the Institute of Economics; the Pollak Foundation; the Harvard Bureau of Business Research and the business research bodies of other universities.

6. Books on merchandising, including sales, credit, shipping, etc. such as Ettinger and Golieb's "Credits and Collections"; Alexander Wall's "Analytical Credits"; White's "Market Analysis"; Lincoln's "Applied Business Finance"; and Salier's "Accountants' Handbook."

7. Books on the retailers' problems, such as,—David's "Retail Store Management Problems"; Nystrom's "Retail Selling."

8. Books on export technique and on foreign countries, such as, Wyman's "Export Merchandising"; Hough's "Practical Exporting"; and Poole's "Export Credits and Collections."

The financial executive will already have a file of general information which is constantly being enriched by clippings from trade and class publications, from newspapers which give serious attention to business and finance and to some extent from general magazines.

If the credit department has not carried the development of its work far enough to have on hand the foundation of a library, its head is in an excellent position to build this foundation quickly and effectively. But in any case, the credit executive is sure to have a clear idea of the value of a library. He knows well how high priced time is wasted by important executives in large concerns who must keep track for themselves of the new books, the trade papers, the pamphlets and the newspapers which relate directly or indirectly to their work.

I have seen over-conscientious business men swamped in an attempt to wade through a mass of book reviews and periodicals and newspapers in order to get the material they require.

DUMPING:

A Problem in International Trade

By Jacob Viner

Dumping is a practice of long standing in international trade, and presents a problem comparable in importance to that of maintaining standards of competition in domestic trade. Discussion of dumping, because of its international character, has been influenced by national animosities, international jealousies, and mercantilistic prejudices and ambitions. This volume constitutes a careful and calm analysis of the problem; it is at the same time free from exaggerated fears, and insistent that legitimate interests be properly protected.

In many respects a piece of pioneer research, the analysis is built up in gradual stages. From current usages an exact definition of dumping is formulated. The practice is viewed historically, and many of its financial and economic consequences are taken up in detail. Finally, the all-important questions of its relation to unfair competition and the available methods of controlling its abuses are discussed in the hope of directing attention to the general question of standards of competition in international trade.

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Serviceable Statistics

OPERATING EXPENSES IN Retail Grocery Stores in 1922, The Wholesale Grocery Business in 1922, Department Stores in 1922, Retail Stores in 1922, Retail Jewelry Stores in 1922. Publications of the Graduate School of Business Administration, Harvard University. Harvard University Press, Cambridge, 1923.

Less than ten years ago exact figures on the operating expenses in different lines of business were not available. One could of course obtain estimates from individual business men on the average operating expenses in their lines. But these estimates were for the most part, as we have learned since accurate statistical data have become available, inexact and unreliable. Today, largely as a result of the pioneer work of the Harvard Bureau of Business Research, (now so splendidly aided by the Nebraska College of Business Administration and similar organizations) we are getting the operating expenses in different lines of business year by year. Not only are we getting the average, or what is better, the common operating expenses of an industry against which to compare individual cases; but we are getting operating expenses for the same industry classified by geographical locations and by volume of sales.

Thus, for example, we have operating expenses for department stores of sales of less than \$1,000,000 and of sales of over \$1,000,000. We have the operating expenses of these same department stores classified by Federal Reserve

Districts. This material, moreover, in spite of its completeness, is presented so simply that the business man untrained in the reading of statistics and charts can readily follow it.

No research organization in the country is, in the opinion of the reviewer, doing so much to put science into business as is the Harvard Bureau of Business Research, under its director, Professor Melvin T. Copeland.

The five pamphlets listed above are invaluable to business executives of the industries covered. They are also invaluable to any bank or mercantile credit manager who has dealings with these lines. Each table on operating expenses contains the particularly interesting items for credit men, such as losses from bad debts, net profit, and rate of stock-turn. Moreover, there are illuminating conclusions on the figures, such as effects of the rate of stock-turn on expenses and profits.

These pamphlets are all procurable at the rate of \$1.00 each. The material in them is an indispensable supplement to financial statements and other credit information now in the hands of credit managers.

It is impossible in a few words to give an idea of the wealth of material they contain. After reading each pamphlet, the table of contents seems singularly inadequate as indicating the material covered, and yet if the credit man would but realize that he will get in the pamphlet itself itemized sched-

(Continued on next page)

The Business Library

(Continued from previous page)

(Many of them depend upon secretaries to read certain publications for them.) But even if this reading is done conscientiously important items are sometimes missed; and there is always a considerable overlapping and a consequent waste of effort. Much less research at a central point will accomplish more efficiently the same object.

One of the most efficient jobs of business library building that I know of was done by a manufacturing and marketing concern which went to a large public library and secured the services of a woman who had had years of experience in the business section of that library. She not only was quick to grasp the necessities of the corporation by which she was employed but in many instances was able to anticipate the needs of the executives to whom she rendered library service.

In compiling a list of books, assistance may be had from the research departments of trade organizations which are usually prepared to supply lists of books useful to their trades; and Dr. John Whyte, head of the Research Department of the National Association of Credit Men, 41 Park Row, New York, has compiled and has available highly useful lists of books on various business subjects.

A business library of books, pamphlets, magazines and clippings is a little worse than useless if it is not kept in circulation by bulletins sent frequently

to all department heads and to some of their assistants. A bulletin of this kind enables the recipient to make requests of the business library for articles or abstracts that are of immediate use to him.

I know of one great concern which has a library more than a year old and has neglected to "sell" the library's services to all the executives. The result is somewhat like installing a Delco-light system on your farm and not having it hooked up to the various buildings where heat, light, and power are needed.

Many business concerns are located in a community which does not boast of a first class public library with a business section operated by it. Such companies are especially in need of a business library. Where a concern is within easy reach of a public business library effective co-operation can be set up between the concern and the local librarian.

The business library of a commercial house can also be greatly assisted by a local bookseller who is alive to the possibilities of his business and who can notify the house promptly of forthcoming business books and can secure without delay copies of books already on the market.

The purely technical books which a manufacturing concern uses are, as a rule, purchased by the technical men themselves but economy and speed can be secured in the matter of technical books also by the business library of a concern.

Womrath's Library and Bookshops

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We invite you to put your problems up to us if they pertain to business books. The following titles may suggest sources of information to you.

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EASTERN EXCHANGE CURRENCY AND FINANCE by William F. Spaulding, cloth, 410 pages, \$5.00.

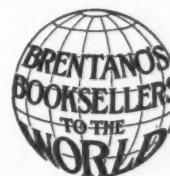
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1923

rules and detailed analyses for each of the chapter headings of the contents, he can form an idea of the amount of material available in each pamphlet.

The different lines demand somewhat different treatment and the tables of contents are not the same for each line but the amount of material covered can be appreciated by noting the contents in "The Operating Expenses in Retail Shoe Stores for 1922," as follows: Operating Expenses, Profit and Loss, and Stock-Turn According to Volume of Sales; Operating Expenses, Profit, and Stock-Turn for All Firms Reporting; Operating Expenses, Profit or Loss, and Stock-Turn by Federal Reserve Districts; Comparison of Operating Expenses, Profit and Loss, and Stock-Turn for Identical Firms in 1921 and 1922; Inventories; Returns and Allowances; Cash Discounts; Relation of the Rate of Stock-Turn to Expenses and Profits; Four-Year Comparison.

For Physical Fitness

EXERCISE. Frank D. Dickson, M.D. and Rex L. Dively, M.D. J. B. Lippincott Co., Phila., 1923. 127 pp.

Designed for the busy man or woman, this book contains a minimum of reading matter with a maximum of interesting illustrations. It provides specialized exercises for various physical weaknesses. There is no doubt that many business men to whom ordinary recreational activities are impossible will find these exercises, that can be used at home, of great value.

Selling More Goods

CREATIVE SALESMANSHIP. Herbert W. Hess. J. B. Lippincott Co., Phila., 1923. 340 pp.

One notes with ever growing frequency the phrase "Our credit man is our star salesman," for the credit men of today are thinking of themselves as a part of the sales machinery of their organization, as they did not years ago. Though directly they do not sell the commodity itself, they have a business policy to "sell" and they have terms of sale to "sell." And if they are able to sell these ideas successfully, they are frequently in a position to increase the sale of their house's products. Moreover, as collection men, they have unfortunately frequently to "sell" to the debtor the idea of paying his bills.

Thus credit men are concerned with the psychology of salesmanship. The salesman studies the psychology of the buyers. Nearly all of these buyers are for the credit man debtors, and every quality of the buyers which the salesman notes has a relationship to the credit man in his capacity as a grantor of credits or as a collector of accounts. Thus a book on salesmanship that stresses the psychological aspects of selling and that analyzes the characteristics of different groups of buyers is of value to a credit man.

The book by Professor Hess is an interesting contribution to the ever increasing library on salesmanship and marketing. It is attractively written. From its first chapters on "Personality in the Salesman and Personality in the Buyer" down to "Sales Management" it holds the interest of the reader.

The reviewer notes, however, but one paragraph on credit in the whole book of 340 pages. In these days when salesmen are more and more being

trained to consider credit as part of sales, for from one point of view a sales transaction is not closed until the money is in the hands of the seller) it seems that the author has slighted an important aspect of modern salesmanship.

The reviewer is tempted to agree with the interesting comment of the San Francisco Bulletin on this book: "Any salesman who masters its contents could sell epsom salts to a mental healer. Unless the buyer fortifies himself against attack by reading the book himself, he and his dollars are doomed to divorce." If the book reaches the hands of many salesmen in its present form and results in the development of supersalesmen and thus in over-selling, the credit man's difficulties are going to be tremendously increased, and the soundness of our economic structure will be imperilled. But this constitutes one more reason why the credit man should read this stimulating book in order to acquaint himself with the dangers that may lurk behind creative salesmanship, the salesmanship that continually sells more goods and more goods.

The Par Payment of Checks

(Continued from page 13)

houses in the United States, only 25 now require the banks in their membership to make charges of this nature.

For Banks:

It has reduced the cost of handling checks and eliminated many unnecessary handlings.

It has enabled city banks to reduce greatly the numbers of accounts and reciprocal arrangements they formerly maintained for collection purposes.

It has enabled country banks to hold deposits that formerly would have been diverted to the cities, because country checks payable at par are now much more acceptable in distant places.

For the Public:

It has removed what Senator Glass called "Toll gates on the highway of commerce."

It has made payments for interstate commerce as free as interstate commerce itself.

It has made bank checks far more widely acceptable and promptly convertible than ever before, thereby greatly facilitating the exchange of goods and services which constitute American Commerce and Industry.

BUSINESS MEN SHOULD ENCOURAGE PAR PAYMENT

We have seen how, in order to bring about par payment, most of the country banks have co-operated by giving up their "exchange charges."

The National Association of Credit Men is convinced that the time has come for business men also to co-operate. Indeed, it is to their interest to do so. They are enjoying direct savings and other advantages from par payment which must be preserved. To revert to the former inefficient, slow and expensive system would be a most costly loss to business.

Business men may best co-operate by expressing appreciation of the concessions the country banks have made in the interest of business and the public.

(Continued on page 42)

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Credit Interchange

A Great Shoe Concern's Attitude on this Fundamental Credit Subject

By Rowe Williams

THE CREDIT MONTHLY has the permission of the Endicott Johnson Corporation to place before its readers the following important statement of its policy on the broad subject of credit interchange:

ENDICOTT JOHNSON CORPORATION
ENDICOTT, N. Y.

Sept. 29, 1923

Mr. John E. Norvell,
National Association of Credit Men,
Huntington, West Va.

Dear Mr. Norvell:

In reference to the matter of credit inquiries, for sometime past we have discontinued the practice of asking for credit information direct from credit grantors. We made it a rule to secure our credit information through the Interchange Bureaus of the National Association of Credit Men. We felt that all members of the Association would secure much better information from Interchange Bureau reports rather than direct inquiries; as they could get this information we decided to discontinue answering the inquiries direct.

We reached this conclusion largely because of abuse of the privilege. Obviously a great number of these inquiries were "feelers" under the guise of investigating and not accompanied by the inquirers' experience, and failing to give amount of first orders. Frequently a stamped return envelope was not enclosed. Free interchange of ledger experiences has been accomplished after years of effort on behalf of the National Association of Credit Men, because of reciprocal features. We are sorry to say the non-observance of these principles by inquiring houses resulted in a heavy duplication of our work. During this time, however, we were supplying the Interchange Bureau and all Mercantile Agencies with our ledger experience, which was thus available to credit grantors through these sources.

As you and your Committee told us that you had in mind establishing a sufficient number of Interchange Bureaus throughout the country to handle this work and that at some time in the future it would be possible for all credit grantors to secure this information through these Interchange Bureaus we have decided to co-operate while this feature of service is being perfected. We feel that the establishing of Interchange Bureaus is the right plan and are very glad to do all that we can to help in the work.

From this time on we will be very happy to answer all bona fide credit inquiries which we receive when accompanied by the experience of the inquirer and postage prepaid self-addressed envelope.

We feel sure that the conference has been valuable to both of us. We were better able to understand the work of the Association and we feel

sure that you gentlemen now realize some of the problems that we had to contend with.

With kind personal regards, I am
Very truly yours,
J. E. Paden, Treasurer.

This letter was written following conversations between J. E. Paden, treasurer of the Endicott Johnson Corporation, F. C. Knapp, its credit manager, and John E. Norvell, Curtis R. Burnett and C. H. Woodworth of the National Association of Credit Men.

The conference was suggested by the fact that practices had developed which had thrown an unnecessarily heavy burden on credit departments of large manufacturers, against which the Endicott Johnson Corporation and other manufacturers had rebelled. The curative which the manufacturers had adopted took the form of refusing to take part in the direct interchange of information except when the inquiry was in the form of a personally dictated letter. The representatives of the Association argued that the curative decided upon would not prove to be a correction of the bad practices complained of but would tend to delay a correction of the faults that were admittedly prevalent in the system of interchange today.

The point that Mr. Norvell, past president of the National Association of Credit Men and his fellow representatives made was that the larger houses of the country must continue to support the Association in its effort to apply a real cure looking to the elimination of the unethical practices of interchange without destroying the system itself.

The cordial manner in which Mr. Paden and Mr. Knapp received Mr. Norvell and his fellows, and their readiness to back up the Association in a positive effort for more ethical conduct of direct interchange and the further development of the National Interchange Bureaus service should be a source of gratification to the entire membership of the National Association of Credit Men.

Norvell and Tregoe Honored

J. HARRY MORAN is the name of the latest arrival in the family of E. B. Moran, manager of the Central Interchange Bureau at St. Louis of the National Association of Credit Men. Past President, John E. Norvell, Huntington, West Va., and Sec.-Treas. J. Harry Tregoe, of the National Association of Credit Men, are dividing the honors.

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The Par Payment of Checks

(Continued from page 40)

and by recognizing the advantages of the par check as a means of settling accounts. By so doing they will give encouragement to these banks to continue to pay their checks at par.

A PLAN RECOMMENDED

The Directors of the National Association of Credit Men, at their annual meeting held in September, 1923, voted unanimously to recommend to all members of the Association that they should give appropriate recognition to the fact that par checks are now collected more quickly and cheaply than other checks.

In order to facilitate the recognition of par checks the Association has prepared this standard legend,

SETTLEMENT MAY BE MADE BY ANY CHECK

PAYABLE AT PAR

through Federal Reserve System

for the use of its members, with appropriate introductory words, in their contracts, invoices and statements of account.

With respect to this plan the membership of the Association falls mainly within two classes:

(1) Those who now require payment in New York, Chicago, or other city funds. For such members the plan would involve extending their terms of payment to include any par check. An

example of the appropriate use of the legend would be

PAYABLE AT PAR

through Federal Reserve System

This concession in the terms of payment would be compensated for by the added convenience it would afford the customer.

(2) Those who now accept settlement in any check, whether payable at par or not. For such members the plan would involve expressing a preference, if not inconvenient to the customer, for a settlement by a par check. An example of the appropriate use of the legend would be

WE PREFER SETTLEMENT IF CONVENIENT
BY A CHECK

PAYABLE AT PAR

through Federal Reserve System

Such an expression of preference, subject to the convenience of the customer, would not necessarily involve disturbing existing relations in places where banks do not pay their checks at par.

A PLAN OF RECOGNITION AND APPRECIATION

This plan is a recognition by business men of the unquestioned fact that par checks are collected more quickly and cheaply than other checks,—which means a saving of time and money.

DIRECTORS USE LEGEND

The Directors of the National Association of Credit Men for their respective houses, have decided to adopt this plan for the recognition of par checks by immediately using the standard legend, with appropriate introductory words, in their contracts, invoices and statements of account.

They not only recommend, but urge all members of the Association to do likewise.

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It is an appreciation by business men of the valuable service to business and the public which 27,000 banks are rendering by paying their checks at par. This makes the checks their depositors draw the par checks that business men prefer to receive. It also makes possible, for the first time in the United States, a scientific check collection system.

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64th Annual Statement

January 1st, 1923

M. J. Averbeck, Chairman of the Board

Charles H. Coates, President

ASSETS

U. S. Government and Liberty Loan Bonds	Market Value	\$3,756,797.00
State, County, Municipal and Provincial Bonds		221,902.55
Railroad and other Bonds and Stocks	Dec. 31, 1922	4,554,311.76
Loans on Bond and Mortgage		1,345,500.00
Cash on Hand and in Banks		790,277.90
Other Admitted Assets		1,435,845.27

TOTAL ASSETS

\$12,104,634.48

LIABILITIES

\$1,500,000.00

Capital	\$1,500,000.00
Premium Reserve	6,288,022.89
Reserve for Losses	949,826.15
Reserve for Taxes and all other Liabilities	386,138.59
Total Liabilities including Capital	\$9,123,987.63
NET SURPLUS	\$2,980,646.85

\$12,104,634.48

\$2,980,646.85

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"Alice in Rankbustland"

(Continued from page 15)

dummies, they will sign anywhere and anything."

With a good deal of trouble Tweedle-dum finally steered the dummies to the table and they all signed the paper, and as soon as they signed it the claim collector picked each one of them up and threw them out of the window. Alice thought to herself: "How terrible, to throw those poor men out like that," but the rabbit, who divined her thought, said: "That doesn't make any difference; nobody cares what happens to a dummy petitioner, just so that they are not found afterwards."

The tall, thin man then put the trained seal on the table and it put its tail in the ink-well and slapped its tail three times on the paper. "What a mess," said Alice. Tweedle-dum scowled at her and said: "It is not a mess, now everything's been acknowledged and sealed properly, and we can go ahead."

The Rankbust came up and said to Alice: "My little friend, now we can go to the Rankbust Sea and take that perjury dip I promised you." "Not so fast," said Tweedle-dum, "you have to be misrepresented, you know; I must get Tweedle-dee for you," and with that he pushed a button and a sliding panel opened in the ceiling, and instantly there slid into the room a man who looked exactly like Tweedle-dum, in every detail, except that he wore a belt which was labeled "Schedules."

"Now," said Tweedle-dum to Tweedle-dee, "I am going to the Allowance Garden to have the petition filed; you take care of this Rankbust, he will bear watching, because he is a month ahead of himself," and he looked very severely at the poor Rankbust who shuddered.

Tweedle-dee said to the Rankbust, pointing to Alice: "Who is this? Is she a preference? Because if she is she belongs to me." Alice said to the little white rabbit: "Let us go away from here; I don't feel safe at all," but he said: "Never mind, that's just the way they talk; they never really do anything. Everything that is going to happen has happened when the petition is filed, so don't worry."

THE MEMORY SCHOOL

The Rankbust asked: "When do I get my dip? I am in such a fever, and so worried, and my shirt front and my coat tails are all gone." "Not so fast," said Tweedle-dee. "First you must go to the Memory School, but it won't take long; come right this way."

With that Tweedle-dee, the Rankbust and Alice and the white rabbit went out of the room and climbed up a short staircase, into a long, wide corridor, on both sides of which were blackboards, and there were a great many men sitting in the corridor, and a teacher, giving them lessons on the blackboards.

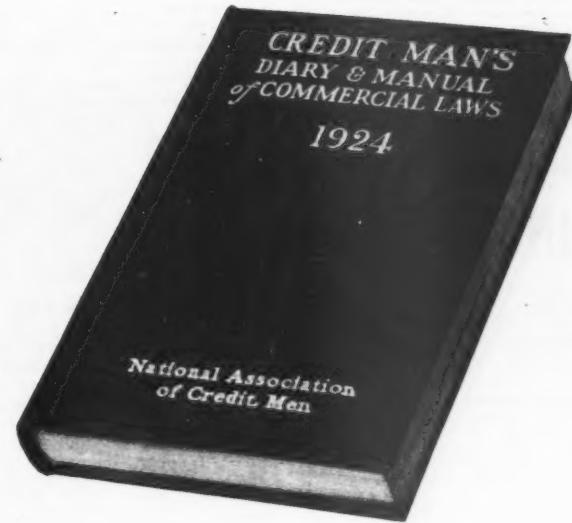
"What are you doing?" said Tweedle-dee to the teacher, and he replied: "This is the advance 21-A Class; now altogether," and he turned to his class. "How much is two times two?" and each one wrote on the blackboard:

"Two times two is seven."

"Very good," said the teacher. "Where do you live?" and they all answered "Yes."

"Correct," said the teacher.

(Continued on next page)

**A Book Every Credit Man Needs**

Credit is an exacting profession. Guess work will not do. It calls for knowledge of law, and the constant change in the law and its interpretation demand up-to-date knowledge. False statement laws with their various interpretations, sales laws in their many forms, statutes of fraud, consignments, the many selling terms for scores of trades, the various forms of mechanics—all these and many other subjects call for facts.

No credit man can possibly keep so many facts in his head. The Credit Man's Diary and Manual of Commercial Law records these facts so that he can have them at his fingers tips. This year, as in past years, it is built around the problems that are actually sent us and incorporated in the volume. It is a hand book of practical information in layman's terms, covering such subjects as Assignments, Attachments, Bankruptcies, Guarantees, Sales and Sales Terms, Limitations, Exemptions, Consignments, Contractions and Cancellations, Commercial Paper—and scores of other subjects each of vital interest to credit men.

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"Alice in Rankbustland"

(Continued from previous page)
"What is your wife's first name?" and they all answered: "The sheriff took it."

Alice was very much amused, and she said to the white rabbit: "This must be the joke you were telling me about."

The teacher turned to the class then and said: "Now we will sing," and with that a large phonograph at one end of the corridor started to play, and all of the Rankbusts joined in:

What is that, what is this,
I don't remember, I don't know,
What is this, what is that,
I don't know, I don't remember.
Merrily, we swear along, swear along,
swear along,

Merrily, we swear along,
As the days go by.

"That will be all for today," said the teacher, and he said to Tweedle-dee: "What about this chap?" pointing to the Rankbust. "Well," said Tweedle-dee, "he is a month ahead of himself; he should have been here next month." "Why didn't you come next month?" said the teacher, and the Rankbust said: "I don't remember."

"When did you first know you were going to fail?"

But for the fact that the Rankbust winked at Alice she would have thought he was crazy, because he replied: "Tra-la-la, the flowers that bloom in the spring, tra-la, have nothing to do with this case."

THE RANKBUST SEA
"Oh, ho," said Tweedle-dee, "you're ready for the Rankbust Sea, so come right along," and they went out to where the elevator was, and this time the elevator man was riding on his side, and as they got into the elevator and it went up Alice said to the rabbit: "How

funny, first he is on his head and now he is on his side," and the rabbit said: "Well in this place, you must always have something on the side."

When they reached the street level there was a sightseeing bus waiting there, and a man was calling: "All aboard, just a small retainer, all the way to the Rankbust Sea and back; schedules will be furnished at the Sea." They all climbed on board. There were a number of other Rankbusts sitting there and they all seemed very happy, although none of them had coat-tails or shirt-fronts.

The bus went off at a tremendous rate of speed, and the motor hummed and whirred, "I don't remember this, I don't remember that, I don't remember this, and I don't remember that," and the Rankbusts were singing silly songs, no two of which were alike, and Alice said to the rabbit: "They all sing differently," and the rabbit answered: "It all means the same thing though, so what's the difference?" "Why, it doesn't mean anything at all," said Alice. "That's what I said," said the rabbit.

"Are there no credit men around here?" asked Alice. "Of course not, you silly little goose. If there were credit men around here these fellows could not go in bathing. You'll see the credit men, they always show up after the bath."

The rabbit started to hum, "After the Ball was Over," but the words were "After the bath was over, the Rankbusts are in clover." Alice asked him what he was singing and he said: "Mind your own business," so she kept quiet.

Alice could see some of the scenery along the way, and it was very much like what she had seen before in Rankbustland. Trees seemed to shrink and everyone seemed to be in a hurry. Men with yellow hats were skating by, all the time. In the distance were the big buildings which she had noticed before, where the Deaferees sat and where the men made motions. She noticed what seemed to be a heavy cloud of smoke over one of the buildings, and she asked the rabbit whether it was a fire and he said no, that that was a particularly large creditors' meeting, with more than the usual amount of hot air which caused the clouds to form.

The bus came to a stop suddenly, so that they were all thrown out of their seats and they landed on the sand. When Alice rubbed her eyes to see where she was she saw what looked like a lake and yet it did not seem to be water. There were waves and breakers, but it was all on paper. "Why, how funny," she said to the rabbit, "you cannot get wet or drown in that Sea," and the rabbit said: "Oh, yes, you can, you can be smothered in it, and it's very deep."

"Can you swim there?" said Alice. "You cannot," said the rabbit, "but the Rankbusts do and they like it."

Just then, the Rankbust who had said nothing on the way to the Sea, turned to Alice and said: "I don't seem quite to remember you now, but I know I must put my schedules on, because it is only decent to wear schedules. I will take my dip, and then you can join me."

Alice did not know what schedules were, so she said: "I will wait here for you on the beach." "Yes do," said the Rankbust, and he pointed to a lot of shells that were upon the beach and said: "I will come back and join you in the shell game with the others."

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Of the Credit Monthly published monthly at East Stroudsburg, Pa., for October, 1923. State of New York ss.

County of New York ss.
Before me, a Notary Public in and for the State and county aforesaid, personally appeared William Walker Orr, who, having been duly sworn according to law, deposes and says that he is the Editor of The Credit Monthly, and that the following is, to the best of his knowledge and belief, a true statement of the ownership, management (and if a daily paper, the circulation), etc., of the aforesaid publication for the date shown in the above caption, required by the Act of August 24, 1912, embodied in section 443, Postal Laws and Regulations, printed on the reverse of this form, to wit:

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Publisher, National Association of Credit Men, 41 Park Row, New York.
Editor, William Walker Orr, 41 Park Row, New York.

Managing Editor, Rodman Gilder, 41 Park Row, New York.
Business Managers, None.

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WM. WALKER ORR, Editor.
Sworn to and subscribed before me this 19th day of October, 1923.

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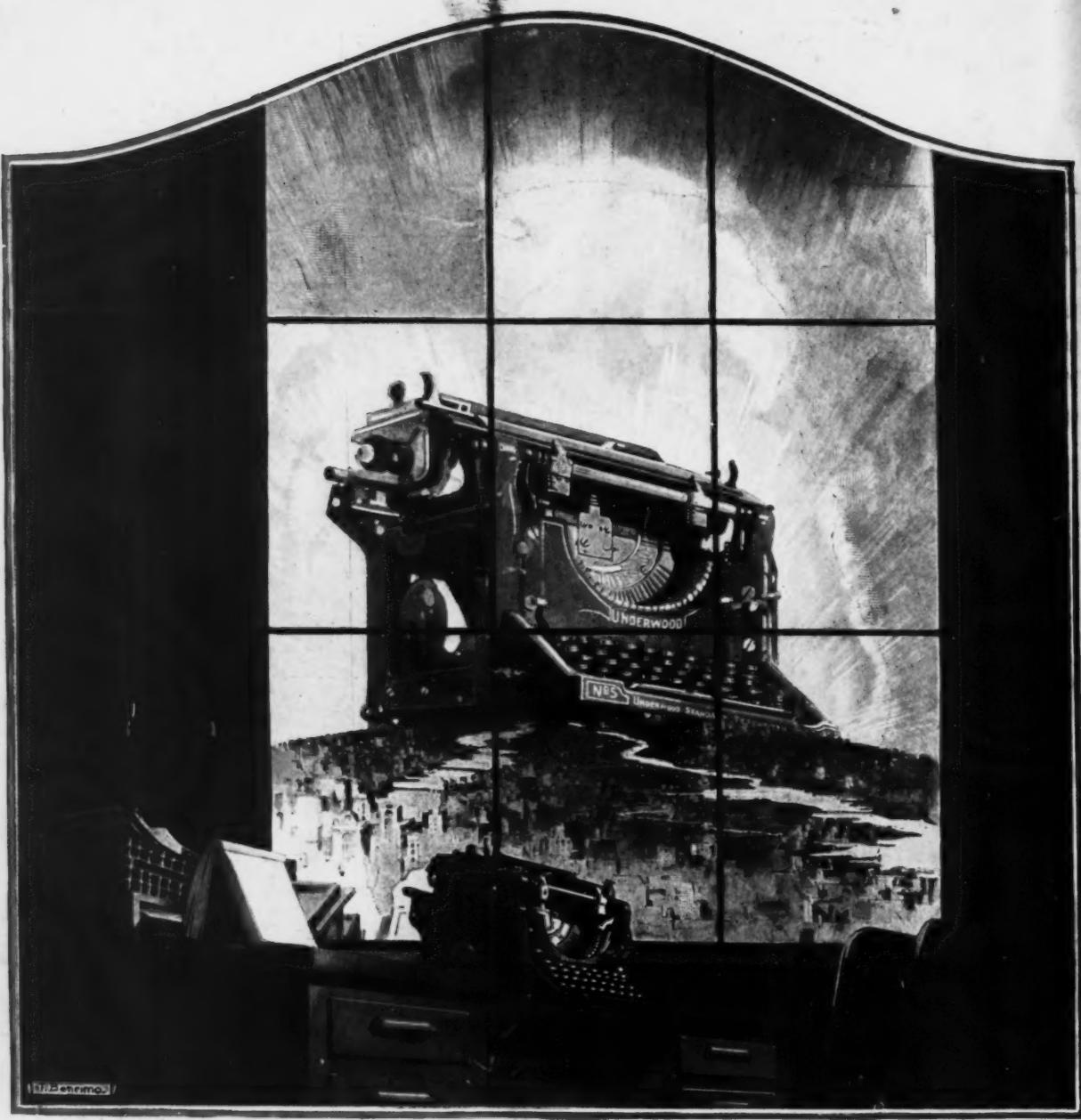
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